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No. 32,531

PARIS, MONDAY, SEPTEMBER 28, 1987

ESTABLISHED 1887

Finance Officials Are Confident Pact Will Support Dollar

Compiled by Our Staff From Dispatches WASHINGTON - Finance officials of leading industrialized nations voiced confidence Sunday that the U.S. dollar would remain steady after they reaffirmed an agreement to support the currency

at current levels.
The vice chairman of the U.S.
Federal Reserve Board, Mannel
Johnson, said that the foreign ex-

Brazil is asking for \$10.4 bil-lion in loans. Page 17.

change markets should react to the currency accord "in a positive way," Finance Minister Kiichi Miyazawa of Japan and Karl Otto Pobl, the governor of the West German central bank, agreed.

"I am sure they will react very favorably," Mr. Miyazawa said as he emerged from a session of the Interim Committee, the key policymaking body of the International Monetary Fund.

Officials have gathered in Washington for this week's joint annual meeting of the IMF and the World ny. Bank. The Interim Committee met Sunday to discuss the IMF's latest economic outlook, which forecast it moderate growth in the world

mils of the report, Page 17.) Asked whether central banks were likely to intervene Monday on the foreign exchanges, Vice Fi-nance Minister Toyoo Gyohten said that the Japanese central bank "was always ready to intervene, but I don't think it will be oecessary

> The accord, reaffirmed at a meeting here Saturday by the continue to dominate European Group of Seven leading industrialized nations, is intended to dissnade speculation against the dollar on the often-turbulent markets. bloc. The nations implied that they would back up their agreement by buying large amounts of dollars should speculation begin.

An agreement in February to stabilize the dollar, known as the Louvre accord, has proven largely in the dollar that was encouraged by the Reagan administration; the nations established "reference this month, has concentrated on 'zones" within which they are willing to allow the exchange rates of their currencies to move.

Kiosk

Financial analysts believe that

Killing Roils

Israeli Cabinet

JERUSALEM (NYT) - Is-

raeli cabioet ministera ex-

changed harsh words Sunday as they discussed how to respond

to the killing of an Israeli sol-dier who was stabbed to death

by a Palestinian last Thursday

as he waited for a ride in north-

Ariel Sharon, the hard-line

Likud minister and former gen-eral, called for harsher respons-

cs and decried what he termed

guerrilla attacks, prompting La-

MONDAY Q&A

bor party ministers to accuse him of incitement and tell him bluntly to "close your mouth."

government "apathy" about guerrilla attacks, prompting La-

ern Israel

the current dollar ranges supported by the seven nations are 1.80 to 1.90 Deutsche marks and 140 to

Finance Minister Gerhard Stoltenberg of West Germany said that the Group of Seven had not decided how long it would seek to main-tain the dollar's levels.

The countries - Britain, Canada France, Italy, Japan, West Germany and the United States want to keep the markets uncer-

The Group of Seven agreed that the dollar's steep fall since 1985, coupled with other economic re-forms, had cleared the way for a sustained reduction in trade imbalances, such as the bulging U.S. trade deficit.

Sir Nigel Lawson, the British chancellor of the Exchequer, told the IMF Interim Committee on Sunday that the process of reducing imbalances required a reversal of the differences between domestic demand and output in the United States, Japan and West Germa-

This is bound to take time to complete, but it has now begun," he said. "It would be serious mis-See IMF. Page 6



Crew members of the Iran Ajr, the vessel attacked by U.S. helicopters in the Gulf, being welcomed in Tehran on Sunday.

Bonn's EMS Partners Seek Larger Economic Say-So

outlage of a mark zone," Mr. Che-

The French government makes

French officials believe that the

no secret of its wish that Britain

should now enter the system as

soon as possible as a counterweigh

latest changes have gone some way

toward prising loose the iron grip

of West Germany's fiercely inde

pendent Bundesbank, or central

bank, which as the gnardian of Eu-

rope's strongest currency has hith-

independently.

to West Germany

By Reginald Dale International Herald Tribune

PARIS - The coming weeks and months should see the first real test of whether West Germany will economic policymaking through its leadership of the European Community's eight-nation currency

France and other members are becoming increasingly restive under West German control of the European Monetary System, which senior French officials now wryly mark zone."

Recent debate over the future of the system, leading to largely French inspired reforms earlier the mats and bolts of currency in-

- sometimes bitterly - call "the

New York Times Service

gan administration officials, pre-paring for the next round of high-

level arms talks in Moscow, are

sharply divided over whether to ne-

gotiate with the Soviets over the

scope of testing a missile-defense

The Soviet Union first proposed in April that experts from the two

sides negotiate the issue. The pro-

posal was made during a visit to

Moscow by Secretary of State George P. Shultz.

Last week, Soviet officials clabo-

rated on the idea and gave the

United States a list of proposed limits on the capabilities of objects

that could he tested in space for a

Included were limits on the

hrightness, or power, of lasers, the

speed of interceptors and the size of mirrors that might reflect some

adviser to Mr. Shultz, is urging that

intelligence service to undertake

Middle East assassination attempt

that went swry, killing 80 people when a car bomb exploded in a

Beirnt suburb ou March 8, 1985,

according to a book by Bob Wood-

ward, an assistant managing editor of The Washington Post.

munist Party in May 1985.

actions, the Woodward book says.

The book says the other opera-

laser beams, among other limits. Paul H. Nitze, the arms control

missile-defense system.

system in space.

WASHINGTON - Senior Rea-

pean Community, however, the technical jargon masks deep-seated tensions between member states economic and political interests in which fundamental principles of national sovereignty are at stake.

These tensions can only grow in the period ahead if, as many community officials expect, the other countries' perceptions of their in-terests increasingly diverge from those of West Germany.

Last week, Jean-Pierre Chevenement, a leader of the left wing of the French Socialist Party and a presidential aspirant, went public with France's anxieties.

France cannot accept that its growth be perpetually limited to that of West Germany, he said in

Mr. Nitze has publicly armed

number of long-range nuclear

weapons and set further limits on

But some Defense Department

and administration officials strong-

defensive systems.

known as "star wars."

range missiles.

erto acted as both the disciplinarian and the paymaster of the an interview with the newspaper Le-In moments of weakness, the Monde. If West Germany does not invest more in European growth in the future, he warned, France, at

other seven participants - France, Italy, the Netherlands, Belgium, Denmark, Ireland and Luxem-

U.S. Officials Divided Over Proposal By Soviet to Negotiate Space Defense

> Mr. Nitze has publicly argued put it, toward what might be necesthat the talks are needed to clear sary to define useful limits on testthe way for an accord to reduce the ing in space.
>
> number of long-range nuclear One U.S. official said that the

Bundesbank to help keep their cur-"We cannot accept forever that rencies within the tight, jointly floating exchange rate band that is the EMS be no more than the camthe linchpin of the system.

Of the EC's 12 members, only Britain, Spain, Greece and Portugal are outside this so-called ex-

By Patrick E. Tyler.

Manhington Post Service MANAMA, Bahram — The

American helicopter attack on

an Iranian mine-laying vessel has bolstered the confidence of Arab

nations already working closely

with Washington, but is less like-

ly to change the cautious diplo-

matic attitudes of Arab leaders

whose populations and national

fortunes live within missile range

of their large and bellicose neigh-

According to a sampling of

Arab and Western diplomats in

the region, the U.S. strike last

week on the Iran Ajr was univer-

sally cheered in private by Arab

leaders. Many were skeptical of

Iran's peace-making intentions

even as the Iranian president

German members of the system is this: If they want to hold their currencies within the agreed limits, keeping up with the stiff pace set by the Deutsche mark, they must follow the sort of austere, German-

U.S. Attack on Ship: A Lift for Arabs

But Envoys Say Caution of Gulf Nations Won't Change

the opening session of the Unit-

ed Nations General Assembly.

But although the United

States and Western maritime

powers enjoy widespread private

support for their deployment of

NEWS ANALYSIS

a 70-ship naval flotilla to protect

shipping in the Gulf, there is no

consensus for an open break with Iran or a unified military

stand on the Arab side of the

attack by the Americans, if you

can do it," said a Bahraini offi-cial, who added that the attack

showed "that oo one can face

But another government offi-

cial in Bahrain said U.S. policy

"We are waiting for one more

waterway, officials said.

Weinberger Sees No Need to Use War Powers Act

By Molly Moore Washington Post Service

WASHINGTON - Defense Secretary Caspar W. Weinberger on Sunday said hostilities io the Gulf would need to grow "a great deal more than what is occurring now" to meet the requirements for the War Powers Resolution giving Congress a role in U.S. military activities in the region.

Mr. Weioberger, who was scheduled to return to Washington ou Monday after a five-day trip to the Middle East, also described as the "heigh; of absurdity" proposed legislation that would require congressional apwould require congressional ap-proval to continue the Reagan administration's tanker-escort operation in the Golf.

Democratie leaders in the Senate have proposed an amendment to the military authorization bill for 1988 that would impose many requirements of the War Powers Resolution of 1973 without formally invoking the law.

"What we're talking about oow is an amendment," Mr. Weinberger said, "that would provide that we must keep a strong presence in the Gulf, but we can't do any-

Speaking from Bahrain io an interview on a U.S. television program, Mr. Weinberger went oo: We have to unflag the ships that have been flagged according to proper American legal procedures, and we're not allowed to convoy. So what in the world would we do? It is, I think, the eight of absurdity."

Presideot Ronald Reagao, charging that the congressional proposal could have "disastrous

onstrated a fundamental lack of

understanding of the revolution-

ary character of the Iranian re-

gime and the inability of its reli-

gious leaders to compromise

revolotionary objectives that

have been articulated by Iran's

spiritual leader, Ayatollah Ru-

"These people do not think a

you do in the West," this official

said, referring to Tehran. "And I'm afraid that won't change even after Khomeini is gone."

But most officials emphasized

the positive impact of the attack in deterring military aggression by Iran against the smaller and

militarily weaker Arab nations.

hollah Khomeini.

the Gulf, said he would veto a plan requiring congressional approval for continuing the escort opera-tion for more than 90 days after enactment of the legislation.

of Ohio, a member of the Armed Services Committee who was also interviewed on the program, said the situation in the Gulf bordered oo war. "If there ever was a situation

Senator John Glenn, Democrat

that called for reporting" under the War Powers Resolution, he said, "this is it."

Mr. Weinberger said he believed passage by the United Nations of ao arms embargo that "would be genuinely enforced" could help bring an end to the war. "Short of that," he said, "we will need a totally different kind of government in Iran. No one can deal with the irrational, fanatical government they have now."

■ Iraq Hits 4 Iranian Vessels John Kifner of The New York Times reported from Manama, Bah-Iraqi warplanes made a flurry of

bombing runs over Iranian oil tankers during the weekend. By midday Sunday. Iraq had struck four Iranian oil tankers within 36 hours in one of the beaviest bursts of air raids io the Gulf war, now seven years old. Io Iran, meanwhile, the 26 smil-

ors of the Iran Ajr were welcomed home. They were captured, the U.S. Navy says, while laying mines in the Gulf, but the Iranians complained that they were mistreated incocents,

The Tehran radio, broadcasting in Arabic and monitored in Manama, quoted the crewmen as telling of "savage imprisonment" below

decks on a U.S. warship. The 26 Iranians were picked up from the water after a raid on their vessel by U.S. Army Special Operations helicopters. The released Iranians and the bodies of three others killed in the attack were turned over to Iranian officials in Oman on Saturday and flown

back to Tehran. U.S. officials have said the Iranian captain and other crewmen cooperated with the U.S. naval task force protecting Kuwaiti oil shipping in the Gulf in locating

the mines they had planted. U.S. officials also said that at least two of the crewmen had asked for political asylum but that the whole group was sent back to avoid any possible charges that the United States was taking hos-

The Tehran radio quoted another unidentified crewman as saying that "the Americans treated us as if they had just won a war."

The fact that there was some-"They suggested we request pobody laying mines was a very litical asylum," he said. "They definite threat," said Bahrain's See GULF, Page 6

traveled to New York to address makers in Washington had dem-See IRAN, Page 6 See ARMS, Page 6 U.S. Agencies at Odds Over Purchase of Soviet Space Photos

America in this region."

ly oppose such negotiations. They assert that the talks might be a By William J. Broad

"slippery slope" leading to unac-ceptable and unverifiable limits on President Ronald Reagan's Strate-New York Times Service ic Defense Initiative, commonly NEW YORK - An agency of the federal government is seeking Administration officials said to buy close-up photographs of the Earth taken by Soviet space satel-lites, a proposal that is likely to stir they expected the dispute to heat up as preparations continue for Mr. Shultz's trip to Moscow in Oc-

The Soviet Union recently has That visit is to serve as a prelude begun to sell space photographs that are superior to any in the West to a summit meeting expected to take place in the United States later as part of an effort to market spacethis year, at which the two sides related goods and services. plan to sign an agreement eliminat-

ing medium-range and shorter-

volcanoes, water pollution and oth-

An official at the agency's head-quarters in Reston, Virgima, speak-ing on the condition of anonymity, based reconnaissance. said that scientists there were "going ape" over sample Soviet photos and were eager to be able to order them and use them routinely.

The proposed purchase of these than to sign an agreement eliminating medium-range and shorterng medium-range and shorterng medium-range and shorterng mestimating missiles.

The photos conflicts with Reagan ad lit also is potentially embarrassthe U.S. geological Survey, an arm soviet Union from making inroads the U.S. system for taking satellite and a half yards (five meters) long.

The photos are being sought by ministration attempts to keep the ing to the administration because objects on the Earth as small as five photos cost \$500 to \$800, and more the U.S. system for taking satellite and a half yards (five meters) long. (or enhanced processing by compute the contrast, the world's next best photos are being sought by the interior state the final and the contrast are processed to the Earth. The photos are being sought by the interior state of the interior state and a half yards (five meters) long. (or enhanced processing by complete the contrast, the world's next best photos are being sought by the interior state of the interior state. The photos are being sought by the interior state that the contrast are processed to the Earth. The solve processive, or see, their pictures to the Earth. The objects on the Earth as small as five photos conflicts with Reagan ad the contrast are processed to the interior state that the contrast are processed to the interior state that the contrast are processed to the contrast are pr

space photos in general, and espe-cially Soviet photos, are increasinger aspects of geology and hydrololy and wrongfully being used in

> ed reconnaissance. The Pentagon, worried that high-

moted efforts to limit and cootrol the development of such systems.

powered civilian satellites will threaten national security, has pro-

provide ourselves."

makes and sells maps and monitors is likely to anger the Defense De-the U.S. land mass for earthquakes, partment, which believes civilian nancial support. nancial support.

satellite, can resolve objects down "It shows how our once domi- to 10 yards. The civilian-operated nant place in space has croded," Landsat has o resolution no better said Dr. Peter D. Zimmerman, a than about 30 yards. senior associate at the Carnegie En-

dowment for International Peace is larger than any io the West and in Washington, D.C. He said "it's o sign of the times" that a U.S. agency wants to "buy things from the Soviets that we should be able to is larger than any to the west and draws on at least three classes of spacecraft: low-altitude satellites that return their film to the Earth, manned space stadons that also return their film, and high-altitude The Soviet photographs have an satellites that electronically beam

Book Lifts Corner of Veil on William Casey's CIA

By Haynes Johnson Washington Post Service
WASHINGTON — While he Peter Corterier, a West German who is secrewas director of central intelligence, tary-general of the William J. Casey circumvented North Atlantic Assemnormal CIA channels and person-

arms agreement. Page 2. GENERAL NEWS E General Wojciech Jaruzelski rebuffed appeals from Vice President George Bush. Page 6.

bly, gives a cautious wel-

come to the U.S.-Soviet

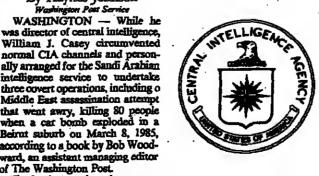
The Count of Paris held a castle party to consecrate his grandson as his heir. Page 6. SPORTS

States, 15-13, to retain golf's Ryder Cap. BUSINESS/FINANCE

We Pearing, the U.K. conglow-erate, increasingly looks like a target for a takeover. Page 17.

Special Today

Cantion rather than expansion is the catchword for world banks the ball market of the past five ficers appears to be over. A special report, Pages 7-16.



Casey emerges as a complex figure: a student of history, an ardent anti-communist, who 'showed a hundred different faces to a hundred different worlds.

tions Mr. Casey arranged through King Fahd of Saudi Arabia and his ambassador to the United States, with three bombings of U.S. facili-Prince Bandar bin Sultan, were acties in Beirnt, Mr. Woodward writes in "VEIL: The Secret Wars tions to help Chad oppose invasion by Libya and to frustrate the elec- of the CIA: 1981-1987." toral ambitions of the Italian Com-

"Veil" was a code name for the covert action "compartment" in The Saudis put up \$15 million to finance these three "off-the-books" the Reagan administration.

When the assassination attempt went awry, the Saudis, with Mr. The assassination attempt was simed at Sheikh Mohammed Hus- Casey's blessing, bribed Sheikh sein Fadlallah, who is believed to Fadlallah with \$2 million in food, be the leader of the Shiite Moslem university scholarships for his folfaction in Lebanon known as Hezlowers and other goods to persuade bollah, or Party of God. Sheikh him to stop car bombings of West-Fadiallah was believed by U.S. and era targets in Beirut, according to Saudi intelligence to be connected the book.

Mr. Casey was "astounded" that "soch a comparatively small amount of money could solve so giant a problem," Mr. Woodward

Mr. Casey's secret arrangement with the Saudis grew out of his desire to create a pre-emptive antiterrorist capability for the United States. At first he sought to do this inside the Central Intelligence Agency, but his deputy at the time, John N. McMahon, a career CIA employee, opposed the idea, arming that it brought the agency too close to assassination, which President Ronald Reagan by executive

Woodward reports.

The CIA came under intense

Mr. Casey took the CIA director-

ship in 1981 after he was passed nia May.6. over for secretary of state and secretary of defense, but quickly realized he could accomplish his foreign policy goals as director of

rity of his eminence's struggle."

"common man with uncommon Sandi role. wealth" and someone who "showed a hundred different faces to a hundred different worlds," Mr. Woodward discloses that he had Woodward writes.

The book does not resolve many

order had expressly banned, Mr. of the questions about Mr. Casey's role in the Iran-contra affair. Nor does it add any information on Mr. congressional criticism in the mid-1970s for covert activities including several assassination plots. Reagan's involvement. It includes many revelations that help estab-lish a context for the story of secret According to Mr. Woodward, endeavors that unfolded after Mr. Casey died of cancer and pneumo-

The three covert actions underta-ken by the Saudis at Mr. Casey's behest appear to exemplify the "off-the-shelf, self-sustaining, central intelligence, with overall restand-alone" capability to conduct sponsibility for all U.S. intelligence secret operations that Mr. Casey secret operations that Mr. Casey discussed with Lieutenant Colonel In Beirut, Sheikh Fadlallah said Oliver L. North, according to the Sunday that the report that he had former National Security Courcil accepted a bribe from Saudi Arabia aide's testimony this summer in the was "a cheap intelligence service congressional Iran-contra hearings. intrigue." His information office In 1985, Mr. Woodward and a described the claims in Mr. Wood- staff writer, Charles R. Babcock, ward's book as fabrications aimed wrote an article in The Post that at "slandering the purity and integ- described the attempt to assassi-

nate Sheikh Fadlallah as a "run-The William Casey that emerges away mission" that grew out of a from the book is a complex figure. CIA operation to train Lebanese Part buccaneer, part loyal friend, units to cooduct "pre-emptive part student of history, part ardent strikes" against terrorists. The writanti-communist, Mr. Casey was a ers did not know then about the

> more than four dozen interviews See CASEY, Page 6



William J. Casey, less than a year before his death.

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Mail this sai

The security outlook for Western Europe, as the North Atlantic Treaty Organization and the Warsaw Pact move to eliminate intermediate-range nuclear arms, was in the forefront of discussion last week in Oslo at the annual meeting of the North Atlantic Assembly, a body grouping 200 members of parliament from all 16 NATO nations. Peter Corterier, secretarygeneral of the NAA and a former West German Social Democratic member of parliament and minister of state in the Foreign Ministry, spoke to the IHT's political correspondent, Joseph Fitchett, about European concerns:

Q. What is the main impact on Europeans of the proposed U.S.-Soviet plan to remove intermediate and shorter-range nuclear arms on both sides?

A. The Western alliance has lost some flexibility in its means and options to carry out our strategy of stopping and therefore deterring Soviet aggression in Europe. But for European leaders the military drawbacks are ontweighed by the political advantages — momentum for more far-reaching arms control agreements. What concerns some of us is the dynamic, a risk that we could lose control of that process and find it exploited against our security interests.

Q. What is your main present concern that they have to withdraw many more

At the end, after two and a half

weeks of living with West German

families, meeting with students, politicians and German Jews and

visiting sites associated with both

the glory and the horror of German

Jewish history, much of the fear

had lifted, even if many of the ques-

At the goodbye party last week,

the 16 Stanford University stu-

dents on a pilot program to foster

understanding between young Jews

and Germans locked arms with

their new friends, singing, bugging

and sometimes weeping over the

tact with their shared legacy.

tions remained.

in the aftermath of the double-zero agree-

A. The process must not be allowed to get out of hand, taking Europe toward a triple zero, meaning the elimination of all nuclear arms. That would amount almost to denuclearizing Europe and leaving us faced with the overwhelming advantage

MONDAY Q&A

in conventional forces that the Soviet Union has had since the end of the war.

Q. What do you expect to happen

A. Soviet leaders, for the first time, have started admitting that there are disparities in East-West troop strength in Europe, in other words, acknowledging their superiority instead of insisting that the two sides' forces are equal, so they might be open to the idea of asymmetrical cuts. This is encouraging for the West since we want conventional reductions. But the Soviet priority is nuclear disarmament. So they might link offers of conventional cuts to reductions in the remaining U.S. nuclear systems in Europe — for example, such battlefield weapons as atomic artillery, or nucleararmed fighters or other airborne systems.

O. What should European leaders do? A. We have to make it clear to the Soviets and to our own public opinion troops than we do. At the same time, if they're looking for trade-offs, that's an encouraging new development. But we need to be imaginative in quickly formulating new disarmament ideas; and we bave to remember that times have changed in the Soviet Union. We have a fast-moving partner there in Mr. Gorbachev, who can quickly exploit our mis-takes. We have to be smarter.

Q. Wasn't there remarkably little trans-Atlantic lobbying between likeminded Americans and European politicians trying to support or undermine this

A: Almost none at all compared to the intensive contacts - officials and parliamentarians, experts and journalists during the debate over SALT-2. European opinion carried weight in that discussion and was used in Washington. But this time there is really much greater consensus, both in the United States and in Western Europe, But this is not nearly as controversial; there is lots of support for the agreement on both sides of the Atlantic. I don't expect it will heat up across the Atlantic during the Senate deliberations of any treaty they sign. Europeans do object to the Reagan administration's moves to broaden the interpretation of the anti-ballistic missile treaty to allow space-weapon experiments, because Europeans see any change in that treaty as liable to undermine the arms

Q. Do you object to the contents of the

planned treaty?

A. No, f think it's balanced -- we eliminate a category of weapons on both sides. True, some experts and conservative politicians thought we should have started with other disarmament steps, for example tackling the enormous Soviet advantage in conventional forces. But this proposal — zero SS-20s and zero Pershings, then the double zero eliminating shorter-range intermediate systems was the only one on the table. We had to work with it; now we have to master the momentum.

Q. Why did European leaders say so little publicly about possible risks with the way the talks developed?

A. Some leaders bad reservations about the way in which the agreement took shape, especially going to double zero, so rapidly. But European leaders had agreed to the zero option when we deployed missiles in the early '80s; they had urged it on the Reagan administra tion and sold it to their own public opinions. To keep their credibility they had to be consistent. And a majority in Europe still feel the effects of the debate on deploying U.S. missiles and believe. rightly or wrongly, that getting rid of nuclear weapons is the overriding issue. Notice that the agreement is supported not only on the left but also by many right of center politicians in Britain and in my own country, West Germany.

Q. Can NATO deploy some new nuclear systems to plug gaps in our forces or have we in effect given the Soviet Union a veto power over any unilateral military modernization in our alliance in Europe?

A. That's a tough question. Clearly, after claiming credit for progress in disarmament, it's going to be hard for politi-cians to ask for more weapons, conventional or nuclear. Perhaps NATO could quietly restore some nuclear options for example, by putting some extra cruise missiles on submarines under the orders of the NATO SACEUR [supreme allied commander Europe]. Since this change is low profile, it might not be too sensitive politically. If we don't see a continuing improvement in the Soviet negotiating stance, we might have to consider it. But, in any case, for the moment, the United States still considers all its other nuclear weapons, including these sea-launched cruises, as part of the U.S. reserve to be used only if the United States is attacked.

Q. Do the European parliamentarians you see consider the missile agreement as the thin end of the wedge toward loosened U.S. commitment to defending Eu-

A. No, not unless it is followed by U.S. troop withdrawals. U.S. troops in Europe matter much more than weapons systems as a sign of U.S. determination. But troop cuts now would be very bad.

Shevardnadze Begins Latin Tour

Chile and for a cease-fire between Iran and Iraq.

WORLD BRIEFS

Zhao Says He Doesn't Want Party Post

BELITING (UPI) — Zhao Ziyang, speaking a month before he is expected to be named the permanent Communist Party leader in China said in an interview broadcast Sunday that he does not want the post

Mr. Zhao, who also is prime minister, also denied the widespread belief

in China and abroad that the expulsion and forced resignation of several

prominent liberal thinkers from the party this year constituted a crack.

"I'm not willing to be the general secretary of the Communist Party because I think I'm not fit to be the general secretary," Mr. Zhao sad in an interview Friday with NBC News. The interview was broadest Sunday. Mr. Zhao, 67, became the acting party leader in January when Hu Yaobang resigned amid allegations that he had allowed the spread of

Conservatives Back Anti-Terror Effor

BERLIN (AFP) — President Ronald Reagan and the Soviet leader Mikhail S. Gorbachev, must put the fight against international terrorism

Mikhail S. Gorbachev, must put the right against memanates on the agenda for their next summit meeting, a 27-nation gathering of conservative political leaders said in West Berlin on Saturday.

Among those attending the third meetings of the International Denocratic Union were Chancellor Helmut Kohl of West Germany, Panel Minister Margaret Thatcher of Britain and Prime Minister Jacques

After three days of talks in the city's former Reichstag building the meeting on Saturday adopted a "Berlin Declaration" that called for a

strengthening of international cooperation against terrorism. Members also called for an end to apartheid in South Africa, for free elections in

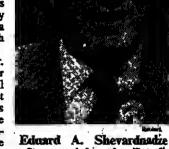
because he is better suited to handle economic affairs.

RIO DE JANEIRO (NYT) -The Soviet foreign minister, Eduard A. Shevardnadze, has arrived in Rio to begin a regional tour intended to improve Soviet rela-tions with Latin America. The visit to Brazil, Argentina, Uruguay and Cuba is to last at least 10 days.

capitalist trends in China.

Although the trip, which he began Saturday, is not expected to bring far-reaching agreements or create the stir made by his visits to Washington and New York, it has excited a good deal of curiosity because it will be the first tour by a Soviet foreign minister in South America.

Speculation is strong that Mr. Shevardnadze is paving the way for a visit to Latin America by Mikhail S. Gorbachev. Given the Soviet leader's busy schedule at bome this antumn and a summit conference expected in the United States, officials said dates for such a trip were



PARD ON TRIAL -

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Sort Takes

after arriving in Brazil.

Tamil Leader Dies After 12-Day Fast

COLOMBO, Sri Lanka (NYT) - A Tamil separatist leader has died after a 12-day fast to protest the way the Indian-Sri Lankan peace accord is being carried out. His death set off protests in the northern city of Jaffna. The separatist, Amirthalingam Thileepan, a political leader of the Liberation Tigers of Tamil Eelam, refused food and water to dramatize the Tamil complaint that signers of the accord had failed to protect Tamil interests, as they had promised. He fell into a come and died Saurday a Indian diplomats were talking to Liberation Tiger leaders in Jaffna.

India Arrests 46 in Widow's Suicide:

NEW DELHI (Reuters) - Indian police arrested 46 people Sunday who were believed to be connected with the ritual death of a young widow

the report said. Earlier this month, the police arrested six pend including four relatives of the husband, in the village in the western state of Rajasthan where thousands watched the ritual.

Rome-Milan 'Super-Rapido' Begins

ROME (AP) - The first of four new "super-rapido" trains left here Sunday morning and reached Milan 4 hours and 55 minutes later,

The new trains leave Rome daily at 7 A.M. and 5:55 P.M., and leave Milan at 7:50 A.M. and 6:55 P.M. A first-class, one-way ticket, for 102,000 lire (\$78), includes various supplementary charges as well as

President Hosni Mubarak of Egypt and Prime Minister Jacques Chirac of France inaugurated the French-financed Cairo subway Sunday. The first subway in the Middle East and Africa, it will open to the public

ution from Yugoslavia arrived Saturday in Israel to discus direct flights between the countries, a Yugoslav official said in Tel Avv. Yugoslavia, which cut ties with Israel in 1967, signaled a thaw by sending

airline KLM to continue flying to New Delhi three times a week. Under the contract, replacing an arrangement that expires at the end of September, KLM will pay Air India a fee to continue the flights. (Resert)

This Week's Holidays

the following countries and their dependencies this week because of national and religious holidays:

WEDNESDAY: Botswans

DOONESBURY









Painfully, Young U.S. Jews Get to Know Germans By Serge Schmemann New York Times Service Jewish college students' organiza- nurbed when she heard that I want- pressions began flooding in, "I just preserved as a monument to the ed to go to Germany." tion, at Stanford University. wanted to call my mother and talk Edward Isser of New York City, about it." BONN - Most of the American "But I wondered," she contin-The main idea was to distract ued. "I did not come to Germany the Jewish students from thinking a graduate student and at 29 the with a hatred, but I came with a lot about the past and immerse them oldest member of the group, ac-Jewish students had come to West Germany with trepidation. Some of fear, a lot of fear about a society in the present and to introduce knowledged a feeling of tmease that had been so intellectual and them to Germany and the German when he first saw older Germans. had been warned by their parents not to go, and others were afraid of could buy into something so sick- democracy," Rabbi Cartun said. "When you see somebody 60 or 70 their own reactions, but all felt that they had to see for themselves,

"Europe Without Frontiers"

The 31st Gordon Bennett Balloon Race will be held

October 3-4, 1987 in Seefeld (Tirol) Austria.

Their journey could take up to 3 days and 2 nights and the winner will be the balloon which covers the greatest distance. The

Parachuting displays and glider aerobatics will take place before the take-off, and on October 4a hot-air balloon meeting

Sponsored by the International Herald Tribune, which is celebrating its centennial year, 13 balloons will participate

representing 6 countries (Austria, Germany, Poland, Sweden, Switzerland and USA.) The teams will try to cross the

illuminated take-off will take place on Saturday night starting at 10 p.m. and will be an unforgettable event for all

Admission is free. For additional information contact: Fremdenverkehrsverband, A-6100 Seefeld/Tirol;

Austrian Alps guided by the prevailing winds.

will fill the sky with a colorful spectacle at Seefeld.

Telephone: (43) 5212/23 13+23 16; Telex: 534452.

'I found myself feeling sorry for the German kids who have to live with this. In some ways we're lucky; we came out on the right side.'

- Karen Abrams, a student from New York City

ening. A lot of it I had never thought about, like getting on a ried whether this was an attempt to wonder," he said. train and hearing the whistle blow use them to show that everything is Amira Leifer, and feeling the fear.

"Yet I found myself feeling sorry live with this. In some ways we're lucky - we came out on the right

painful and often confusing con-The visit was the idea of Hans-Adolf Jacobsen, head of the de-"Standing at Dachau, I was repartment of political science at the lieved that the wonderful things I University of Bonn and a frequent had felt about these people did not visitor to the United States. In the United States, be got support from vanish," said Karen Abrams, 19, a student from New York City, re-calling the visit to the Nazi concen-tration camp near Munich now Hans Cohn, cantor at a synagogue and the German language," said in Palo Alto, California, and Rabbi Dan Schechter, 20, of Chicago. Ari Cartun of Hillel House, the "My grandmother was very dis-urged ber to go, and when the imstudent from New York City, re-

great," he said. "But I don't think that has been the case. They will go ilies. Three of them are already referring to their hosts as mother,

father, brother or sister." The apprehensions about coming were the subject of the group's

first meeting in Bonn. "My mother's side of the family is from Germany, and there was a lot of family hatred for Germans

"Some of the students were wor- years old, you wonder, you just Amira Leifer, a 20-year-old

American Studies major from Wyncote, Pennsylvania, had heard for the German kids who have to back thinking about their bost fam- of the Holocaust all her life from her mother, a survivor of concentration camps in Czechoslovakia.

"I have a lot of anger, not at the German people, but at people who were too morally weak," she said. When we first walked through the old part of Bonn and saw how close together the houses were, I thought there's no way they couldn't see

reluctant to air their questions and anxieties with the families they were staying with: But soon they found that many of these were shared to some degree by their bosts - that for many younger Germans, too, the Holocaust was a painful burden and a troubling question.

At first the students said they felt

At a meeting with high school students at Bonn's Beetboven Gymnasium, the talk was about guilt, responsibility and trying to "My grandfather was afraid to

speak about it," one young German said. "He didn't want to tell me, he said you didn't live then, so you don't need to know." Another had had the opposite

experience: "My grandfather never talked to my father about it, but he talks to me. He said he was just a soldier, that he did what he was told to, and if he had resisted there would have been consequences for the family. I don't know if it's

Most of the Americans seemed surprised at how much the Germans were taught about the Holocaust in school. The German students said they had studied it first in religion class in primary school then again in history and social science classes, and many had visit-

ed the sites of concentration camps. "Sometimes it was too much. and I felt I couldn't take it any more," Corinna Kopp, 18, said of

the subject. What did they know of Jewish

life today? "I don't know how to say it, it

sounds so brutal, but we don't have many Jews," said Heike Koll, 18. "Many were killed, many live in America, and they don't want to come back, so we don't hear much rom them.

Many of the Germans spoke of the burden they sensed. "I want to live my life and not have to think about it every time I go anywhere," said Miss Kopp's twin brother,

"It's not that I personally reject responsibility for something that happened even before my parents were born," he said. "But I can't even say I'm sorry from me to you. I can only say that what happened 40 years ago won't happen while I live. That's wby it's important that everyone knows, that everyone talks about it."

At a worship service and dinner given by Bonn's 200-member Jewish congregation, Elliot Brandt, a 19-year-old Californian, said he was haunted by the thought that this was a city that had once had five flourishing synagogues.

Visiting Dachau, many in the group wept, and one of the young men, profoundly affected by the sight of the gas chambers, went out and started gashing his hands against a barbed-wire fence.

For the Germans, too, there were lessons. Beate Thewalt, a 26-yearold graduate student who belped Mr. Jacobsen organize the visit said she was struck by how profoundly and personally the Ameri-can Jews felt the Holocaust.

"For me, the same generation from the other side, for me it was always there, I always knew about it, but not as deeply as they," she said. "I thought it was that way for them. I had no idea bow deep it

At the farewell party at his Bonn home, Mr. Jacobsen watched the dancing and bugging with some in-"I never believed it would work

like this," be said. "I feel I should warn them that this is not the whole of Germany, that there are darker sides. So many of them came with fear, and now look at this."

UNIVERSITY DEGREE

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Tunis Court Sentences 7 To Death

TUNIS - A court on Sunday condemned to death seven Islamic fundamentalists who were among 90 charged with trying to overthrow the government of President Habib Bourguiba. Two defendants were sentenced

to life in prison, including Rachid Ghannouchi, head of the Islamic Tendency Movement, an opposi-tion group that the government says has ties to Iran's Shiite Moslem regime. Most Tunisians are fol-

lowers of the Sunni Moslem faith. The court gave 67 defendants prison sentences ranging from a two-year suspended term to life. Fourteen were acquitted, including the youngest of the accused, a 16year-old. The prosecutor had asked

for death for all 90. Five of the seven condemned to death were tried in absentia.

Mehrez Boudegga, one of the two who was present in the courtroom when be heard his death sentence, was convicted of making the bombs that exploded Aug. 2 at four Tunisian resorts that wounded a dozen European tourists.

great!" as they filed out of the heavily guarded courtroom after the sentence was read in Arabic by the presiding judge, Hashemi Zem-

mal, at about 2:30 A.M. Although Mr. Bourguiba could issue a pardon, there is no appeal procedure after the non-jury trial. A special court must rule within seven days on whether correct legal procedure was followed before exe-

cutions by hanging can be carried vani, had asked the state security court to impose the death sentence for all the defendants, saying they had conspired to overthrow the government. Mr. Bourguiba, 84, has led Tunisia, a pro-Western na-

tion, since it gained independence from France in 1956. A verdict had been expected more than a week ago, and political observers speculated that Tunisian leaders were baving second thoughts about putting all the de-

■ Violence Is Threatened Steven Greenhouse of The New

fendants to death

York Times reported earlier from

The Tunisian police increased their already tight security this weekend as a group calling itself the Caravan of the Martyrs sent a letter to news agencies threatening to respond to any death sentences Western officials have expressed

concern that the trial - rather than crippling the fundamentalist movement, as the government seems intent on doing — could result in strengthening it by making martyrs Indeed, many Tunisians say the

rapidly growing fundamentalist group, the Islamic Tendency Movement, poses the greatest threat to the rule of President Bourguiba since he came to power. The five judges began their deliberations on Tuesday, and on Wednesday morning they sum-

was being held for what most people thought would be the verdict. People close to the government uggested that one reason for the delay in announcing the verdict was that informal pressure from France, the United States, Algeria and Saudi Arabia had caused som officials to reconsider their eager-ness to execute many of the mili-

U.S. Tourist Killed in Paris The Associated Press

PARIS - Three persons, including an American tourist, were killed in a pistol and machine-gun attack at a bar here, the police said Sunday. The tourist, Bach-Thien Vu. was killed when two gunmen opened fire Saturday at The Topless bar on the Boulevard Clichy. A bostess and the maître d'hôtel also

on her husband's funeral pyre, the Press Trust of India reported.

Those arrested either were present Sept. 4 when Roop Kunwar, 20, committed sail, or immolation by a widow, or were associated with the

TRAVEL UPDATE

traveling at up to 125 mph (200 kpb) to shave about an hour off a "rapido" train's speed for the 393-mile trip.

unch or dinner in one of two restaurant cars.

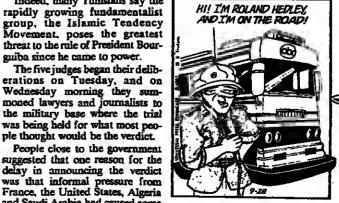
Tanjug news agency correspondent to Israel in July. The Netherlands has reached agreement with India to allow the Dutch

Banking hours and government services will be closed or cortailed in

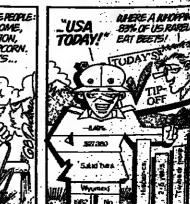
MONDAY: Taiwan, Vatican City. TUESDAY: Paragnay.

THURSDAY: Botswans, Burma, Chins, Macao,

SATURDAY: Honduras, Israel, South Korea







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By Dennis Hev

his visit to the Ur a io have had little i interviews with a is around the cou damant and those in and what they wanted of nine U.S. citi priests across th hey perceived a least to listen to I

s priestly celibacy her, said the news tions had obscure the pope's pronounce 45 Social Justice e Reverend Matthew D wlersey, said: "I firmly

BARD ON TRIAL - Turning from legal controversies

to a literary one, three U.S. Supreme Court justices, from left, Harry A. Blackman, William J. Bremman Jr. and John Paul Stevens, "ruled" in a moot court debate

On Brandeis University Menu:

Ham Steak, Shrimp Tetrazzini

Ham steak and shrimp tetrazzini are on the mean this fall at Brandeis University in Wal-

them, Massachusetts, and debate has been renewed over what it means to he a Jewish-

sponsored but secular university, The New

York Times reports. The idea is to make Brandes students who are not Jewish feel more

shellfish and pork, and featuring both on the ment has aroused some opposition. The chap-

lam, Rabbi Albert X. Azelrad, said he was concerned that the institution, founded in 1948, might be growing shy about "its Jewish soul." But Evelyn E. Handler, the university's

president, said Brandeis has appeared parochi-al and insensitive to the feelings of non-Jews.

"We're not trying to be less explicitly Jew-ish," said one trustee, Rena Blumberg, class of 1956. "We are trying to be more hospitably

A third of the 2,800 undergraduates at Bran-

deis are non-Jewish. About 300 of the Jewish

students take their meals in the kosher section.

of the cafeteria system. This will be unaffected

The Connecticut Appellate Court has over-

forced to drive 150-mile (245-kilometer)

SAN ANTONIO, Texas -

sions was nominated in July to be

from across the political spectrum

On Friday, the Senate voted 90-0

to confirm Judge Sessions, 57, for a

for his toughness and fairnes.
On Friday, the Senate voted 9

10-year term as FBI director. Asked last July about his repota-tion as a "West Texas tough guy,"

by the menu additions.

Short Takes

vish religious law forbids the eating of

comfortable.

AMERICAN TOPICS

round trips to court 25 times in three

years, only to be repeatedly told that his

case had been postponed, before it was

heard. Rolf Almgren, 55, a Ridgefield gar-dener, had been fined \$400 and given a 30-day suspended sentence for disorderly con-

duct and resisting police officers who had answered a complaint in 1982 that a hotel

party Mr. Almgren was giving was too noisy. He said that his constitutional right

to a speedy trial had been infringed. The

The New Jersey utilities board has approved a device that displays the telephone number of the incoming caller while the phone is still ringing. Some people have

objected that this constitutes an invasion

of privacy and that it will reduce anony-

mous tips to the police. But the police them-

selves favor the idea as a way to thwart

obscene callers, reduce sales solicitation

calls and help trace numbers during emer-

Diaper-changing tables are to be installed in men's restrooms at Bradley Internation-al Airport in Windsor Locks, Connecticut.

"We're seeing a lot more men traveling with children," said Belinda J. Svirbely, the

airport operations supervisor. "There is def-

initely a need for this." Several U.S. airports

have installed diaper-changing rooms that

are open to men and women. However,

Bradley may be the first to put them in

appeals court agreed.

WORLD BRIEFS

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FBI Chief Regarded as Tough and Fair

SAN ANTONIO, Texas — When Judge William Steele Ses-

the Federal Bureau of Investigation's fourth director, Attorney
General Edwin Meese 3d said the ... White House had sought a "clone" of William H. Webster, the man he is succeeding.

The similarities between the two former federal judges, both Republicans, are striking. In Judge Sessions the FBI got a quiet, straight arrow who wins unusual praise

The state of the s

a Wood in Herlicher (株) pregu Bartest (1 1959) ロールー parter greiten if annen LINE WELLS 藤 職品主作者 2

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thought said they perceived a willingness in John Paul at least to listen to the debate over such issues as priestly celibacy and ordination of women, others said the news media's focus on those questions had obscured the profound message in the pope's pronouncements on other subjects such as social justice.

in many areas such as birth control and abor-

tion appear to have had little impact, at least according to interviews with a dozen Roman Catholic priests around the country.

On matters of personal morality, liberal

priests remained unconvinced, conservatives

remained adamant and those in between seem

to have heard what they wanted to hear among

the pope's four dozen homilies and addresses in

And while priests across the spectrum of

his 10-day tour of nine U.S. cities.

But the Reverend Matthew Didone of Newark, New Jersey, said: "I firmly believe what I espoused, I go along with."

Judge Sessions, who was born in
Arkansas, smiled as he answered: William S. Sessions a gun belt, and I don't have any concern for propriety are legend-ary. In Judge Sessions' courtroom, cowboy boots to my name. If I'm a
West Texas tough guy, it's simply
because we have dealt with some men wear coats and ties, chewing gum is forbidden, and spectators · very difficult problems out there."

caught reading newspapers are re-Judge Sessions has a reputation for courage. In the early 1980s, be Ray and LeRoy Jahn, husband and wife prosecutors in the U.S. presided over the murder trials of the men who killed Judge John H. attorney's office in San Antonio, Wood Jr., a friend and colleague recall running into Judge Sessions who was shot in the back as he left and his family on the street near home to preside over their drug trial. For the 20 months after the their house during the Wood murder trial. The families had been

Their daughters, born two days Colleagues said he is a "hands- apart, were best friends and hugged on" type of administrator who is each other as the parents stood by aware of some of the shortcomings stiffly. The next morning, Judge of the FBI and will resist any at- Sessions dutifully announced in tempts from inside the bureau hier- court that the contact with memarchy to manipulate him or insulate bers of the prosecutor's office had

murder, Judge Sessions and his friends for more than a decade, but family received 24-hour protection for fear the killers would strike that day.

a U.S. District Court judge in 1974, what his colleagues call "warp" according to the Jahns, he stopped speed, tilted forward with his arms socializing with prosecutors and defense attorneys, except for bar association functions, to avoid any possible compromise of his judicial beneath his judicial robes, Judge neutrality.

at American University in Washington that William

Shakespeare was the likely author of the famous plays

and sonnets, not the more worldly Edward De Vere,

Notes About People

cheering me on this at all."

Nancy Reagan says she had long wanted to

campaign against drugs, but few shared her enthusiasm when she first broached the idea

to White House aides. "They all thought that it was a downer," Mrs. Reagan told U.S. News & World Report, "and they weren't

American woman in space, is turning down potentially lucrative lectures and interviews.

Mrs. Ride was on the presidential task force

that investigated the 1986 explosion of the space sbuttle Challenger. A longtime friend, Fred Hargadon, said the resulting frictions

led to her departure from the space agency. She is studying arms control at Stanford

University on a two-year fellowship. Her fa-

ther, Dale Ride, says she "does not want to be

Thomas P. (Tip) O'Neill Jr., former speaker of the U.S. House of Representatives, has somewhat rejuctantly allowed the new feder-

al building in Boston to be named after him.

He told a crowd of about 300 people at dedication ceremonies, "I don't think I ever voted in Congress for a building named after

a man who had just left the Congress and was

still alive." His son and namesake quoted the

elder O'Neill's wife, Mildred, as saying,

"He'll get over it."

friend of Queen Elizabeth I and 17th Earl of Oxford.

sauct and that defendants deserve
the full respect of the court.

Mr. Boyd, the magistrate, added:
"When it comes to civil rights, he's

Gerald Goldstein, general coun-sel of the Texas Civil Libertics
Union, added, "I can't think of an incident in which he broadly ex-panded a defendant's rights, but be
limited busing plan to desegregate

tor, he doesn't let the government and he canoes.

muscle the defendant," Mr. Goldstein said, adding: "If I had a shot be was 16 and acknowledges that

bright and funny, with broad inter- level of Mount Everest. ests, ranging from mountain climb-

to the Rotary Chub.

He is far from pretentious. Judge
Sessions is often seen mowing his
lawn or scrubbing his car, a bine
1969 Chevy Mahbu that he bought
new. Instead of frequenting fancy
restaurants, he most often has
early 1986 to be one of the civilians to the Rotary Club. him from its daily operations. occurred. hunch at Schilo's delicatessen, near chosen.

Judge Sessions' strictness and When Judge Sessions was named the courthouse, rushing over at shuttle.

-ARTHUR HIGBEE

Sessions is often spotted after Those who know him said his hours in striking plaid trousers that strictness is not a manifestation of have become legendary. One judiarrogance or eccentricity. Rather, it cial colleague said the trousers are reflects Judge Sessions' belief that "so bright that they glow in the the federal judicial system is sacro-

"He's firm, rule-oriented, strict," extremely liberal. He ordered the said U.S. Magistrate Jamie Boyd. El Paso County commissioners to "But he's very compassionate. He build a new jail and offered to put may give a strict sentence, but he them in jail if they didn't." The new does so with a bit of sorrow to it." jail was intended to relieve over-

has been as fair as any judge I've the El Paso schools.

Judge Sessions has been an avid "Even though he was a prosecu- mountain climber since he was 18,

of winning, I'd as soon try it there he will never be a technically adas anywhere in the country." vanced climber. But he said he Off the bench, friends and colloves the challenge, and he has vanced climber. But he said he leagues said, Judge Sessions is a made two treks, in 1976 and 1985, different person. He is described as up to the 18,000-foot (5,500-meter)

The Everest climbs were strenuing, space exploration and the San
Antonio Spurs basketball team to
reading poetry and playing Scrabble and Monopoly with his family.

1 ne Everest cimbs were streamous enough that he lost 26 pounds
(12 kilograms) on his first trip and
15 on the second. Judge Sessions
later explained to his neighborhood Every Wednesday at noon, he goes to the Rotary Club. weekly newspaper that the thought of eggs cooked in yak butter is

lunch at Schilo's delicatessen, near chosen for a space flight aboard the

Republicans Think They Can't Lose in '88

and Haynes Johnson

Washington Post Service NAPERVILLE, Illinois George Bush is a terrific team man," Ann Haney tells her fellow Republican activists. "He's always there" for local candidates, she adds. "But he has all the crowd appeal of a warm dish of oatmeal I mean, without the raisins, without sugar, without maple syr-

It sounds like a real put-down, but, in fact, she is leaning toward supporting Mr. Bush in the March 15 Illinois Republican primary. Adherents of Senator Boh Dole

of Kansas and the other four contenders for the 1988 Republican presidential nomination offered similarly unromantic views of their favorites, as 30 precinct captains and volunteer workers for the vaunted Du Page County Republican organization gathered here on two recent evenings to talk politics.

These loyal Republicans made it tants in the GOP presidential field remotely matched the appeal that President Ronald Reagan has held

Their preferences were statistically close to the latest Washington Post-ABC News Poll, which shows Mr. Bush leading among Republi-can-inclined voters with 46 percent and Mr. Dole in second place with

The others trail far back: Repre-sentative Jack F. Kemp of New York and the Reverend Pat Roberison, each at 6 percent; former Secretary of State Alexander M. Haig Jr. at 3 percent; and former Governor Pierre S. du Pont 4th of

The comments in Naperville and responses in the nationwide survey reflected ambivalence about the strengths and weaknesses of the Republican field. Strong enthusiasm for any of the candidates is

Still, Republicans in Naperville and nationally remain confident about winning the 1988 election for a simple reason: They think that the Democrats are facing a far worse drought of talent.

"The Democrats have no real candidates and no big issues," said Ralph Johnson, a retired manufacturing executive and a du Pont supporter, "I don't see how we can

That coofidence is widely shared. In The Post-ABC News survey, 74 percent of the Republicans, compared with 59 percent of the Democrats, said they thought their party would win the 1988 elec-

Naperville, one of the bellwether Republican counties in the nation. gave Mr. Reagan 76 percent of its

The conversations in Naperville

which will begin to take form in the next few weeks as Mr. Robertson, Mr. Bush and Mr. Dole make their formal declarations of candidacy and join Mr. du Pont, Mr. Haig and Mr. Kemp for the first debates of

Currently, the focus is almost all the other was the first choice of almost eight of 10 Republicans in the September survey, up from just over six of 10 in June.

the campaign.

Republican activists in Naper-

wide survey provide insights into extensive national governmental the Republican presidential race, resumes.

Also working to the advantage of Mr. Bush and Mr. Dole is the perception that they are moderate, mainstream politicians capable of attracting the diverse kinds of voton Mr. Bush and Mr. Dole. One or ers whose support the minority Republican Party must have to retain control of the White House.

"We need a communicator and someone who will work with young Republican activists in Naper-people, especially on the problems ville, also, list Mr. Bush and Mr. of education and literacy," said

Joan Salvato, a volunteer GOP

worker who supports Mr. Bush. Tim Sellers, who leans toward Mr. Dole, said: "We need a more

moderate president; that's where

it's swinging. As a young person, it seems to me that we've gone from

one extreme to another with Jimm

For all their positives, Mr. Bush and Mr. Dole carry substantial

negatives into the campaign. The

greatest is the lack of excitement

Carter and Ronald Reagan."

We need a more moderate president; that's where it's swinging. It seems to me we've gone from one extreme to another with Jimmy Carter and Ronald Reagan.'

> — Tim Sellers of Naperville, Illinois, who leans toward Senator Bob Dole

Dole as their top preferences. Overwhelmingly, they rate the two as being the most qualified and most electable.

It is similar in the national survey. Mr. Bush is rated qualified by 92 percent of the Republican-in-clined voters; Mr. Dole by 82 percent. Mr. Kemp and Mr. Haig are in the low 40s, Mr. Robertson at 22

and Mr. du Pont at 18. The scores for the latter four are lowered by the high numbers of those polled who say that they do not know enough to judge. However, 47 percent say that Mr. Robertson is not qualified, more than donhle the number who find him

qualified. Mr. Robertson also has the dubions distinction of being named by 28 percent of the Republicans as someone they definitely would not consider voting for. Mr. Haig is at 16 percent in that measure. All the

others are in single digits. What Republicans are looking for in the next president came over clearly during two nights of discussion. They want experience and proven competence in government.
"We need someone like Jerry Ford, who knows how government works," said Paul M. Bauer, a real-

"I'm torn between George Bush and Bob Dole," he said, adding that "experience is the main quali-

That theme of experience and competence in making government vork stands in sharp contrast to the anti-Washington, anti-government voter attitudes formed over the last decade. More than any other factor, it accounts for the preference for Mr. Bush and Mr. Dole,

rives about them are volunteered "We need someone who can get along with the House and Senate," by the Du Page County regulars and the national sample of Republican voters.

For Mr. Bush, the string of negatives includes: "hland," "boring," "not dynamic," "wishy-washy," one of the GOP regulars remarked.

"Reagan's shadow" and "preppie For Mr. Dole, the greatest problem seems to be the lingering impressions of "that hatchet-man image," as one Republican in

Naperville put it, stemming from his harsh tactics in 1976, when he was the Republican candidate for vice president. Unfavorable comments about

his tendency "to give too many gag lines" also are offered. Other negatives volunteered include: "good man but colorless," "opportunis;" and "slipperv."

Virtually the same kinds of nega-

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cies, seesawing stock markets. may not be over yet. However paper investments are quite vulnerable to these kinds of eco-Therefore the

boom is certainly bust ebullient phenomenon it once was. And probably never will be again. In face of these mounting danger signals, the sincwdest of investors are now rapid-

Reduct the appealmentances nor in his act of gold. There must were to a better tupe to secure your paper assets in gold NOT DO SEE MAD BACK BACK

rencies - remember when this used to lar? - is still relatively low, and the historical trend has always been up Financial counsellors recommend putting a substantial part of invest

ment assets into gold, as insurance for the medium to long term. Gold is money you can trust. Anytime. Anywhere. For full information on how to secure your finan-cial assets in something solid, consult your bank or broker. Or write for your free copy of the filt page, pucket-sized "European Guide to Gold" to:

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Money you can trust.

Papal Visit Didn't Alter U.S. Priests' Views By Dennis Hevesi New York Times Service believed before, in the positions of the pope, but with much more clarity. The pope has been very firm, which has probably given a clear NEW YORK - A week after Pope John vision to many Catholics." Paul II ended his visit to the United States, his pleas for a return to orthodox church teachings

The interviews were conducted, after the pope's departure, with a dozen priests who participated in a New York Times-CBS News Poll just before the pope's arrival in the United States on Sept. 10. In the original survey, 55 percent of the 855 priests polled said they favored the right of priests to marry and 35 percent were opposed. On ordaining women, 43 percent were in favor and 43 percent were

Forty-six percent of the priests perceived the pope to be more conservative than themselves; I percent said he was more liberal, and 51 percent said his views were "much like their

The Reverend Bernard Gustas of Schenectady, New York, said: "I didn't change my mind about anything. No married priests, no women priests, no abortion. Homosexual activity - I don't go along with that. All of the things he The Reverend James Voelker of East St. Louis, Illinois, said: "Celibacy — 1 think it should be optional. Ordination of women - I would be for that. With regards to birth control, if people just want to have a good time, I think they need to examine that. But I also think that people who can't afford more children need an option other than abstinence."

But even on abortion, where all other respondents firmly supported the pope's position, Father Voelker did not take an absolutist view. "I'm against abortion," he said, "However, m some cases, like rape, incest, you can't make a

In the middle, the Reverend Thomas Garthwaite of Arcadia, Wisconsin, agreed with most of the pope's positions. But he allows more

"I think he was just giving the traditional view," he said. "I don't think he was giving hard and fast rules about the future. I would think he is open to change. He has to give the teaching of the church, you see. But how the individual lives that is a matter of conscience."

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With Moscow in the Gulf

Just when it seemed that the president had resolved the debate by naming Iran as the clear danger, the State Department jumped the other way and simply dismissed a Soviet suggestion to put the United Nations flag on a joint naval force policing the Gulf.

Whatever the conceivable merits of the idea, the department's spokesman is right in calling it too complicated to put into practice soon enough. But the spokesman went on to say that the administration opposed giving the Soviet Union "the chance to increase its presence in the region." That is curious, since the Soviet Union is the only major power able to reason with both Iran and Iraq about their war, and its support is critical to the U.S. effort for an arms embargo against Iran. A workable U.S. policy in the Gulf has to

take these realities into account.

Mr. Reagan would like the Soviet Union to join in voting an arms embargo to punish to join in voting an arms embargo to punish Iran's refusal to heed a Security Council appeal for a cease-fire in the Iran-Iraq war. That is attractive to Washington: It keeps Moscow from cuddling up too close to Tehran and requires no further Soviet action or presence. But Milchail Gorbachev has his own ideas, and favors an approach that would enable Moscow to avoid a break with the Khomeini regime. He seeks a commission to study who caused the Iran-Iraq war, and to start doing so before a cease-fire. That

The Reagan administration seems stuck on the cusp of its own ambivalence about Guif policy. Some days it frets about Iran's assaults on ships and regional stability, other days, it worries more about the Soviet Union. establish a peacekeeping role for his country in the Gulf, and there lies the problem. Mr. Gorbschev recently extolled the

United Nations in the Soviet press. This new thinking was elaborated by Foreign Minister Eduard Shevardnadze, whose address to the General Assembly appeared to reverse four decades of Soviet hostility to UN peacekeeping. He proposed giving life to a Military Staff Committee meant to eaforce peace under the Security Council's five permanent members. At this moment, the proposal does not seem practicable in the Gulf, but the idea is worth exploring. When the Russians talk about the need for permanent members to use UN machinery, they are moving to the same high ground from which two generations of American diplomats have lectured the General Assembly.

Perhaps the Soviet proposal can be turned in another direction. What about putting UN flags on Kuwaiti tankers and other nonbelligerent ships in the Gulf? America cannot patrol those waters at present strength

indefinitely and will need a graceful exit. Soviet proposals can be laden with mischief and stratagems harmful to American interests. But President Reagan can also be attentive to creative opportunities to work with Moscow — especially when there is no other way to end a dangerous war.

- THE NEW YORK TIMES.

Yes, Link Arms to Peace

Yitzhak Shamir underlines the central consideration that ought to guide arms sales to countries in the Middle East and other troubled regions. Speaking in a Wall Street Journal interview about proposed U.S. sales to Saudi Arabia, Israel's prime minister said: "Until an Arab country is active in peace with Israel, it shouldn't get sophisticated U.S. weapons." The notion of linking arms to peace, or to a diplomacy seeking peace, seems exactly the right test to apply to com-merce in arms. The trouble with Mr. Shamir's formulation is that it contains the po-

tential for embarrassing his government. That government is currently stymying a. proposal that has much international support, including formal American support; an international peace conference, Each concerned government has its own view of such a conference, but basically all are prepared to go forward. Whether a conference would produce a good result is necessarily a matter of doubt and speculation, But that America has a paramount interest in carefully exploring every reasonable opening is undeniable. Saudi Arabia and other "moderate" Arabs are eager. Israel resists - or rather, Mr.

Shamir's half of Israel's strangely organized government resists, and his half blocks the other half, which is ready. The U.S. government, deferring to Israel, has suspended almost any active effort to organize a confer-

ence pending an easing of Israel's objections. We are not here claiming that the United States should pot the squeeze on Israel and deny sophisticated arms until Israel joins the parade to a conference. But surely it is relevant to American deliberations on selling arms to Saudi Arabia and like Arab countries that the Sandis are eager, even desperate, to support a serious diplomatic proposal that the United States sanctions and that Mr. Shamir rejects. The Saudis are friends who live in dangerous parts; they have a claim to buy weapons apart from the Arab-Israeli dispute. But to deny them arms when they meet in an approved American fashion a very fair and reasonable Israeli standard to become "active in peace with Israel" - even as Israel blocks the calling of a conference and rejects the parallel opportunity to become "active in peace

with Saudi Arabia" - is all wrong. - THE WASHINGTON POST.

Debt Demands Action

can help ease the Third World debt crisis. but not a lot and not soon. This menacing overhang, now five years old, demands more effort by creditors and debtors.

At the annual meetings of the bank and the International Monetary Fund this week, the air will be full of ideas for new debt solutions - interest rate reduction, capping annual interest payments, swapping debt for equity investment, debt discounts or outright forgiveness. Such unwieldy gatherings cannot produce bold strategies. But participants can return home and light fires. This crisis deserves no less.

Mexico stunned the world in 1982 with news that it could not continue repayments. It turned out that most of Latin America and black Africa and several Asian countries were in the same fix. High interest rates on excessive borrowings and soft prices for vital commodity exports, on top of wretched economic inefficiency, drove them to this pass. Today, few seem securely back on track. Most are little or no better off. Africa is desocrate.

Third World debt exceeds \$1.2 trillion now, up from \$850 billion in 1982. The strategy of forcing debtors to adopt austere

The Reagan administration's new support reforms, supported by the new loans, has not er debt service costs and the crippling outflow of nervous capital. Living standards and domestic investment are down in shaky new Latin democracies. The biggest debtor, Brazil, has halted interest payments; others balk at paying more than limited amounts. On the creditors' side, banks have reduced lending and started stashing billions in reserves.

While the search goes on for strategies that work, Western governments must help by coordinating policies to avoid higher interest rates and sharp currency swings, and by filling the credit gap. Expanding the World Bank and IMF aid for the poorest countries are obvious steps. Japan offers bolder thoughts. Finally rising to its responsibilities as a world leader, it hints at supporting a modified version of Brazil's recent proposal to replace some debt with discounted bonds.

Whatever creditor nations and commercial banks do, debtors must keep grinding at reforms to make their economies more efficient and less inflationary, and make investment attractive enough to bring back capital. Nothing is gained by just pouring in more money that goes to waste.

- THE NEW YORK TIMES.

Turks Want Democracy

fourth in the republic's 60-year history, Tur- promise both democracy and stability. Mr. key is still trying to loosen, one by one, the restraints left over from military rule. The generals who toppled the government in 1980 to put a stop to escalating terrorism and internal anarchy turned power over to Prime Minister Turgut Ozal's parliamentary government in 1983. But they shielded Mr. Ozal from opposition by banning from political activity almost all the leading figures of precoup politics, including two former prime ers, Suleyman Demirel, the conservative they had deposed, and Bulent Ecevit, a social democrat. Since 1983, Turkish politics has been slowly changing for the better, and this month Turks voted narrowly in a referendum to lift the ban on those two politicians along with about 100 others. That will allow both men to run against Prime Minister Ozal

in general elections called for Nov. I. The margin in favor of lifting the bans was tiny-less than one-fourth of 1 percent-but

Even years after a military coup, the that result may be the one most likely to Ozal, who has led considerable economic imement but still has a good distance to go. had campaigned openly against lifting the ban, fearing too strong an electoral challenge from his former rivals. His campaign reflected badly on him and his party, and ultimately failed, but the sizable "no" vote indicates the dimensions of his support. In any event, the outcome is an aura of increased democratic openness that should boost Turkey's efforts to join the European Community, which has made Turkey's constraints on democracy a major impediment to membership.

Not all those who voted "no" will be automatic supporters of Mr. Ozal. Nor do all the "yes" votes imply opposition. Rather, they reflect the referendum's broader accom-plishment: the demonstration that there is a enuine thirst in Turkey for democracy and for acceptance as a democracy by the West.

- THE WASHINGTON POST.

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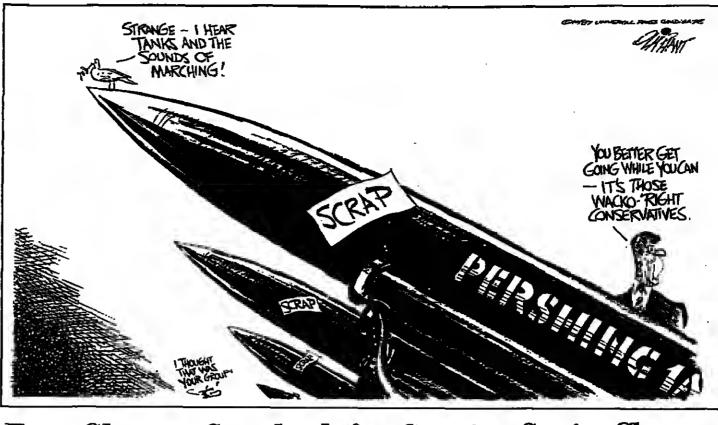
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OPINION



Four Glasnost Standards for Gauging Soviet Change

WASHINGTON — Right now is an excellent time for Americans to begin thinking and talking about a question central to security and foreign policy: How can we decide for ourselves whether the Soviet Union is embarked on perma-nent reforms that would allow us to enter a new era of trust and cooperation in our relations?

What the Russians do inside their borders is their business, except when they violate international agreements - such as the United Nations Charter provisions on observing buman rights. But how we react to what they do is our business; it affects out only what we think about the Russians but what we think about ourselves.

So we should decide for ourselves what we can reasonably expect from the Soviet Union. The purpose is not to draw up a shopping list of demands. It is to create our own guidelines to help us figure out, as time goes on, whether glasnost is permanent and growing or still rests atop a system that can destroy it at any time. That will allow us to decide if the time has come

to support Mikhail Gorbachev with economic and political capital, as we are so often urged to do. Mr. Gorbachev raised the issue by making changes that do not restructure Soviet political society but do introduce fresh air and the hope of more winds of change to come. He recognized the eco-nomic disaster of the system, told his people about

the failure and is trying to work up and out of it.

This is exactly the time for Americans to start serious public examination of how to judge where the Soviet Union is going. We are choosing a new

By A.M. Rosenthal

president who will have to draw up his own criteria. Voters should know what those criteria are. We are also taking an arms reduction step that is not overwhelmingly important militarily but may bring larger steps. This could mean a permanent end to fear of war. Or are Richard Nixon and Henry Kissinger right to warn that we are destroying the balance that has helped us avoid war? And there is this to think about: The Soviet

Union achieved military equality with America more than a decade ago. Now it is presenting itself as a country wiping out the tyranny of the past and therefore also as the political and moral equal.

If that is so, America's great asset of being seen — and seeing itself — as the flag-carrier of freedom against despoism will logically diminish. If it is not so, to accept "egalitarianism" will not only give the Soviet Union an undeserved status but will distort our concept of ourselves and the particu-

lar quality of American values.

Some guidelines for Americans: Soviet willingness to reduce conventional strength in Europe so that the removal of the nuclear deterrent will not leave the Soviet Union in a position to use its superiority in manpower and battlefield weapons. That would present the permanent threat of a war that the West could not win. Moscow says it is ready to deal seriously on conventional

arms and should be taken up on it, now. 2. Soviet adherence to international agreements — United Nations, Helsinki — that guarantee hu-man liberties, including emigration, religious wor-ship and expression, as rights and not as permissions granted. The fulfillment of human rights treaties, which includes emptying the camps for political prisoners, will be a clue to the likelihood of fulfill-

ment of life-or-death disarmament treaties.

3. Soviet political and military liberation of Eastern Europe. If glasnost is deep and lasting, Moscow need no longer fear that freedom in Eastern Europe would infect the Soviet Union.

Moscow should be held to the same standard that the United States maintains in its relations with its immediate neighbors. We would not permit foreign armies in Canada or Mexico. But we do not garrison our armies in border countries or try to rule them from Washington. Eastern Europe cannot be an anti-Soviet base. But a Soviet Union building democracy internally can safely allow Eastern Europe to determine its own political systems.

4. Rapid movement toward dismantling the police-power structure of Soviet society. The KGB is often represented as a threat to Mr. Gorbachev. Perhaps it will be, one day. Right now be commands it. As long as KGB police power is the dominant Sowiet political reality, glasnost can be halted or reversed by the KGB or by Mr. Gorbachev himself. Before Mr. Gorbachev took over, it would have

been ludicrous to suggest these guidelines scriously. Now they are critically important as signs of where he is going — and whether and how fast we should be going with him. The New York Times.

Now for a Serious Response to Third World Debt?

WASHINGTON — As the Third World drowns in debt, 3,000 of the world's financial managers gather in Washington for the annual meeting of the World Bank and the Interior most famous of these non-solutions in debt, 3,000 of the World Bank and the Interior most famous of these non-solutions in debt, 3,000 of the World Bank and the Interior most famous of these non-solutions in debt, 3,000 of the World Bank and the Interior most famous of these non-solutions in debt, 3,000 of the World Bank and the Interior most famous of these non-solutions in debt, 3,000 of the World Bank and the Interior most famous of these non-solutions. t, they are likely to avoid facing the problem head-on and instead to engage in what economist Martin Feldstein has aptly phrased cre-

atively muddling through."

The problem this time, with a number of debtor countries edging toward unilateral action, is that mud-

dling may no longer be enough. The last half decade of annual meetings has been shaped by the debt crisis, ever since the announcement by Mexico in 1982 that it could no longer service its debt. And most debt crisis watchers look to the annual meetings for a signal of how the United States, and specifically the Treasury Department, is going to try to manage the crisis for yet another year.

The signal is loud and clear this

year. We are almost certain to get a shortsighted view of the problem and nothing more than refinement of the current set of non-solutions.

WASHINGTON — What gives? Is the press out to

prove its power and disprove charges of leftist bias by sabotaging one iberal Democrat after another?

No. We in the media are taking seriously our responsibility to deal

with the character and competence

of potential presidents. But we are

Doris Kearns Goodwin, biogra-

oher of Lyndon Johnson and the

Kennedys and a scholar of the presi-

dency, has made the point that jour-

unlists ought to pay close attention to how trathful presidential candi-dates are in their reflections of reali-

ty. Once behind the fence at 1600

Pennsylvania Avenue there is inev-

itably a strong temptation to recon-

struct the world as you wish it to be.

invented a grandfather who died be-

roically at the Alamo, she pointed

out, had no problems converting

what was at best an ambiguous naval

incident in the Gulf of Tonkin into the excuse for massive escalation in

Vietnam. The fake grandfather

seemed mere hyperbole, perhaps worth only a laugh. But the Gulf of Tonkin incident led to tragedy. That was the serious warning sign

Could You Pass Such an Inspection?

T HERE is a new criterion, • new device for weeding out presidential candidates: the self-immolating gaffe. Gaffegate occurs when a remark or action reaches critical mass in the media. If the trend continues,

we run the risk of turning the presidential campaign process into a political version of the movie "Rollerball," in which the winner of a futuristic

skating contest was the last contestant still alive by the final whistle. We should remember a story credited to Emanuel Celler, for 50 years a

congressman from Brooklyn. While trying to ward off an attack on him, he

talked about a fastidious constituent who inspected a chicken at her

butcher's. She picked up one wing said Mr. Celler, and groaned. She inspected a leg and said, "Feh!" And then, nearly turning the chicken

inside-out, she pronounced it unfit. Behind the counter, the angry butcher

said, "Ma'am, may I ask you a question?" She said yes. "Could you pass such an inspection?" — Mark Green, writing in The New York Times.

The same Lyndon Johnson who

doing it in our usual imperfect way.

nual meeting in Scoul. It was a plan that received acco-

lades the world over. If truth be known, those accolades surprised some of us on the inside. The Baker plan was not much of anything new, and it certainly was

not going to solve the problem. Indeed, that was not its real soal. In fact, the plan was pasted togeth-er quickly in breakfast meetings between Treasury Secretary James Baker and Paul Volcker, then chairman of the Federal Reserve Board. It was simply an attempt to steal the thunder from the new Peruvian president, Alan García, who had the gall to unilaterally apply his own formula for cutting back Peru's unsustainable

debt service without consulting the United States. Mr. Baker's speech was calculated to regain the initiative. Accordingly, the Baker plan was As an international economist in primarily rhetoric - a good speech,

From Contender to Shocked Victim

By David S. Broder

that made reporters highlight Joe

Biden's appropriation of others' words and sentiments. And it is why

we twitched when we learned that be

bad invented an academic renown

A second element in his behavior

was also worrisome. In many of the

troubling campaign incidents, Mr. Biden was acting on instinct. The plagiarism of Neil Kinnock occurred

to him in e van on the way to an Iowa debate. The videotaped ex-change with a New Hampshire voter

in which he misrepresented his academic record came during a spouta-

neous question-answer session. The

concern about Mr. Biden among

many who have worked with him is

that his impulses are unchecked by

In Senate hearings, he often ap-

peared so caught up in his own thoughts that he could barely define

a question to the witness. A lobbvist

who worked with him commented

on his habit of showing up late for meetings and straying from the agenda: "When you're elected to the Senate at age 29, it's easy to think

udement or reflection.

far greater than his record.

By Robin Broad

national Monetary Fund. A continuational Monetary Fund. A continuation of the Monetary Fund. A continuation of even asked the private banks in advance if they were willing to increase lending to the Third World. And the other creditor countries of Western Europe and Japan - whose banks hold more Latin debt than do U.S.

banks - were not even consulted. As it turned out, private creditor banks were no longer interested in lending new money; they and the In-ternational Monetary Fund have become net borrowers from the Third World. Nor was the World Bank, an institution that lent mainly for dams, roads and other projects, suited to the role of global debt manager.

Inside the Treasury Department we simply could not be bothered. We did not look at the situation in the developing world and say the obvious: Yet more lending only compounds un-payable debt service burdens for most. We did not look at the links between the debt and markets for U.S. exports and make the clear connection: If we

the meeting begins when you walk through the door and the subject is

whatever you've got on your mind."

context in which reporters viewed

these recent, self-destructive inci-

deuts. I do not think we exaggerat-

ed their import - any more than

we did in the very different inci-

But there is still a distortion, be-

cause no human being can be re-

duced to one or two traits without

serious risk of caricature. In Mr.

Hart's case, the picture we drew at

the end omitted many of his redeem-

ing qualities: his intelligence, his willingness to do the hard work of

policy analysis, even the steadfast-ness of his political course, in sharp

contrast to his personal behavior. Similarly with Mr. Biden, the fo-

cus has been too narrow to do jus-

tice. His sister Valerie tells touching

and convincing stories of his gener-

osity and protectiveness as an older brother. And last summer I saw him

walk away from a large number of

clamoring fans at a Chicago meeting (many were political activists any presidential candidate would love to

recruit) and closet himself for close to an hour with a stranger in pain. The man had almost broken down

while telling Mr. Biden be had just

learned he had a fatal disease — AIDS. He could deal with the threat

to his life, but not with the prospect

that his treatment might leave his family bankrupt. "What kind of a

society is this?" he asked in his pain.

was between Mr. Biden and this man, but when I saw the man later in

the meeting, he seemed calmer. Mr. Biden had found a way to help him,

if only by listening. And he did it out of a generous impulse. That compas-

sion, too, deserves to be noted about the latest departed candidate.

The Washington Post.

That much I overheard. The rest

denis involving Gary Hart.

All those things provided the

don't reinvigorate the Third World enough to revive demand for our goods, we'll lose even more manufac-tuning jobs in the United States. Why the shortsightedness? Part of

visible part of the problem and let someone else worry about the rest later. Shortsightedness in this case is also

rooted in a particularly narrow view of national interest. The Treasury actions have catered to the short-term profit of large American banks, but increasingly at the expense of work-ers, businesses and farmers who have lost Third World markets. Such a perception of national interest fails to see that the real crisis is a development crisis and that the poverty and despair that this breeds across the Third World are the real threat.

This shortsightedness must change. It may be only the developing world that has the ability to move the United States to see the problem differently. After developing countries' five years of deteriorating standards of living, their tolerance for crisis management at the expense of their human and natural resources is wearing thin.

Brazil stopped paying interest on its commercial debt in February. Ecuador suspended interest payments in early 1987. The Ivory Coast, once touted as the African free market success story, halted payments in May. A month earlier, Zambia broke with the IMF austerity plan. From the Philippines to Argentina, new coalitions built around demands for drastic reductions in debt service are gain mass support and political clout.

Back in Washington, the big question remains: Can the bureau step beyond its shortsightedness and see the need for some creative, managed write-down of Third World debt before the majority of debtor nations slide chaotically toward unilateral acts of debt repudiation? History and the logic of bureaucracy are not optimistic on this score. We're all too good at muddling through.

The writer, a former U.S. Treasury official, is a Council on Foreign Rela-tions fellow at the Carnegie Endowment for International Peace. He contributed this comment to The New York Times.

For Habash, The Weight Of Failure By Jim Hoagland D AMASCUS—Georges Habash, the radical whose name has been a synonym for terror for nearly two decades, rises stiffly from behind his desk and extends an atrophied right hand in greeting. On his wall hangs a small tapestry depicting the Dome of the Rock Mosque in Jerusalem. His right side is partially paralyzed as a result of a mishap during brain surgery seven years ago. He leans heavily on a pair of cames to maneuver slowly across the basement apartment before settling into an armchair. At 62, Mr. Habash seems to carry the weight of failure on his crippled frame. His generation has failed to turn into a reality the Palestinian revolution that they proclaimed. They will

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that it will not happen in the time left to him. It will be instead for another gen-eration, whose leadership is likely to come from the West Bank and the Gaza Strip rather than the Palestinian diaspora that created the Palestine Lib-

percent of all the population" in Israel.

and Israeli-held territories. "Todays they are only 37 percent. Scientifically we can show that the present situation, will change in our favor."

This demographic argument is one; that is much debated in Israel todaye. But it is striking to hear it advanced by this once fiery Maixist gnerrilla leaders, as the core of a strategy of waiting, as the core of a strategy of waiting, and running "operations" only inside Israeli-held territory. His recitation is a measure of how far Palestinian form.

a measure of how far Palestinian for a state the three-day intunes have fallen under the leaderships. Sometimes on Chilof the PLO's founding fathers and the hope of the Law in Arah under of the come agreement. Arab rulers of the same generation. Seen as a destabilizing threat by.

Arab regimes, the Palestinians have services substitute over

ble. It would be very harmful. That does not mean we go back it

When he negotiates with Amal, he also negotiating with Syria, which backed the Lebanese organization in its two-year war to block PLO guerrilla groups from re-establishing

The camps war and the reaction to Syria's effort to destroy Mr. Acatal have brought a surface unity to PLO groups. But Mr. Habash's acid criticisms of Mr. Arafat's efforts "to open the road to an American solution" reflect a fragmentation that has now almost certainly gone too far for current leaders to overcome.

pal spokesman for more than a decade, out of the PFLP. He has gone to Algiers, where he reportedly is working with Arafat loyalists.

The split with the younger guerrilla.

whom Mr. Habash appeared to trest as a son, was the only subject he would not address during the two-hour dis-cussion. Beyond whatever pain it has brought, the separation is an unsettling omen for the generational change that looms as the PLO's last chance. The Washington Post.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Parades for Funds 1937: Mussolini's Visit NEW YORK - All three political parties are embarrassed by lack of funds with which to continue the contest for the Presidency. The progressives are asking for \$900,000 from their supporters, which they will en-deavor to collect through the efforts of bodies of women adherents of Theodore Roosevelt's "Bull Moose" party. These women, nicknamed "Moosettes," are parading the streets like Salvation Army lassies, with collection-boxes. Today [Sept. 28] the "Moosettes" enlisted the services of "Johnny" Mayes and "Mike" Ryan,

visit has been the occasion of a revivsevelt badges and pamphlets, to-gether with printed invitations to a left behind, modern democracies

hution that they proclaimed. They will see the Dome of the Rock and Jerusa-lem's other landmarks only in dist. ming memories and pictures on walk.

Mr. Habash still predicts ultimate victory over Israel, but be now concedes.

eration Organization 20 years ago.

"Israel is creating its own antithesis," Mr. Habash says. "Israel is digging its own grave by saying there is no such thing as the Palestinian people. This policy of saying they will cush the Palestinians will force the Arab people to say, "We will not accept." In will die in 10 years," be continued.

"I will die in 10 years," be contined to the contined to the percent of all the population in Israel.

and Israeli-held territories (Traeli-held territories to the contined to the contined territories to the contined territori

had to be controlled and manipulated as much as supported. The myopio, and uncourageous political leader, ship of Yasser Arafat and the blind, ship of Yasser Aratat and the blind, fury of the terror groups that killed in the name of Palestine have also harmed the movement. The ebbing of Palestinians' hopes is also represented, by Mr. Habash's frank admission that they can never again build a "state, within a state" in Lebanon, as they did

tuning jobs in the United States.

Why the shortsightedness? Part of the answer lies in the normal bureaucratic response to cases: Take whatever the Lebanese Shitte movement Amarian and the Lebanese Shitter movement Amarian and the Lebanese Shitter movement Amarian and the Lebanese Shitter movement and bash says that a stable peace agree ment would lead to "radical changes; in our presence in Lebanon."

"If there is a Lebanese regime that can give us security, we must ask ourselves what do we Palestin really want in Lebanon. To continue holding arms in the same way that, was going on before 1982 is impossi-

the situation before 1969," when Palestinian camps in Lebanon were es-sentially under Lebanese control. But we need a new formula" that "is" very clear and not contrary to national Lebanese interests." He added. "We have told Amal this."

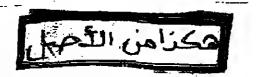
themselves in the camps. Syria vows to control the PLO, or to break it.

The divisions reach even into the Popular Front for the Liberation of Palestine, which Mr. Habash founded in 1967. A bitter dispute over coopera-tion with Mr. Arafat has driven Bassam Abu Sharif, Mr. Habash's princi-

the Marathon runners, who, wearing running costumes and sandwichboards, marched at the head of a procession of automobiles filled

grand "Moosette" ball.

PARIS — [The Herald says:] in many ways the visit of Mussolini to Hitler has been indicative of a complete change of outlook from that which was current in Europe a quarter of a century ago. But while the novel aspects of Germany's welcome may be heartily approved, it must be regretted that some of the impleasant features, which stressed the combative nature of state visits in other ish display of military uniforms, the attendance at field maneuvers and the inspection of cannon works, the meeting might have marked a new starting point in the history of international cooperation, and might have been hailed as such. But because the with "Moosettes," distributing Roo-



For Hobos Children Recount The Ceip Brutality by Pretoria By William Claiborne Washington Post Service HARARE, Zimbabwe — Blinking into glaring television lights One is a meeting of Common.

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HARAKE, Zimoaowe — Banking into glaring television lights and almost speechless with bewilderment, 11-year-old William Modibedi haltingly told his story of being tortured in a South African last year. J 10 411

Many of the 500 delegates here for an international conference on children and apartheid gasped and some cried as William tried last week to recount through an interpreter his story. He said he was picked up by security police on Oct. 6, 1986, and held for two months and two days in jail cells near Krugersdorp, north of Johan-

His thin voice quavering and his head barely rising above a dais table in the Harare convention center, the boy, with his mother at his side, said that two of his teeth were

Nothing draws the heartstrings like the plight of children who are detained and tortured in South African prisons.'

- An official of the African National Council

knocked out in a beating by his interrogators and that he was given electric shocks to force him to confess to setting cars on fire during

A 13-year-old girl identified as Tabisa Mabusa, who is paralyzed from the waist down, sat in a wheelchair and told the delegates that South African police agents burst into her house in Gaborone. Botswana, on June 14, 1985, and shot her in the spine as she tried to

Many other witnesses, most of them teen-agers, offered similar testimony during the three-day International Conference on Children, Repression and the Law in Apartheid South Africa, which ended Saturday.

It was the biggest gathering ever of blacks and whites from South 'Africa and senior officials of the African National Congress who are living in exile in Africa and Europe. But the meeting also dramatical-

y underscored the importance of a cey weapon in the ANC's public elations arsenal: the effect on chiliren of the struggle against apartreid in South Africa:

"Nothing draws the heartstrings ticen prisons," said a top ANC official, who asked not to be identi-

"Imagine how it affects people Mr. Vlok said that only 115 chil-

" Youth Africa for world opinion, the crimes such as public violence and the United Nations Economic and ssue of detained children has no murder. natch, anti-apartheid campaigners
"a Zimbabwe readily conceded.

ant because of its timing. It pre- South Africa without charge.

cedes two potential milestones in the worldwide campaign to intensify economic sanctions against the

One is a meeting of Commonwealth heads of state in Vancouver. Canada, next month to discuss

The second is a U.S. State Department report to Congress on the question of South Africa's response to sanctions imposed last year.

The conference organizers said that the convergence of these events with the testimony of the children was a coincidence. But they made no attempt to hide their satisfaction with the discomfort the South African government might feel at so crucial a time.

After hearing the testimony, Oliver Tambo, the ANC president, said: "Let all those in the West who still treat this regime as legitimate explain why they continue thus to aid and abet the commission of a crime against humanity.

"Let them stand accused as those who, by refusing to impose sanc-tions, extended a helping hand to the apartheid regime so that it could continue its terror against the children," he continued.

At the beginning of the confer-ence, the Reverend Trevor Huddleston, a veteran anti-apartheid campaigner and former Anglican archbishop, urged foreign journal-ists covering the conference to re-port in vivid detail what he described as the "inhumane brutality against children in South African

"Sanctions obviously are exceed-ingly decisive," he said. "Great Britain and West Germany will do everything possible to prevent effective sanctions. The only way open is mandatory sanctions.

Glenys Kinnock, wife of the British Labor Party leader, Neil Kinnock, and an anti-apartheid activist, acknowledged using the op-portunity as a tactic in the battle to increase sanctions. She conducted an emotional interview with some of the child witnesses outside the conference hall for a British television news broadcast.

Vowing to take the children's "Those who speak of the suffering that they say sanctions would cause must be reminded of what is hap-pening daily to thousands of children in South Africa because that regime is not subject to rigorous ssare from outside,"

The South African government the potential damage the conference could cause to its efforts to project an image of reform-mindedness and conciliation toward ilitant black ristionalists.

On the opening day of the conike the plight of children who are ference, the South African law and letained and tortured in South Af- order minister, Adriaan Vlok, issued a statement in Cape Town saying he anticipated that mislead-He said that in listening to the Harare by the Detainees' Parents estimony, "I cried, and I've seen it Support Committee, which is based in Johannesburg.

magne now it affects people Mr. Vlok said that only 115 chil. They are on opposite sides of a dren under the age of 18 were still population paradox facing coundidate. being detained. Most of them, he tries in Asia. As a tactic in the battle with said, are being held for serious

The Harare conference, they

400 children under the age of 18 are

region's population was creating a

and has been particularly impor
among 1,800 people being held in new baby boom, as the number of



The Reverend Trevor Huddleston, left, an anti-apartheid activist, greeted Oliver Tambo, right, leader of the African National Congress, and other activists at an international conference in Harare, Zimbabwe, on the effect of apartheid on children in South Africa.

In Japan, Worldliness Counts

Learning English, Travel Abroad and Pasta Are the Rage

By Nicholas D. Kristof New York Times Service

TOKYO --- Japan's knowledge of the West has come a long way since one of its first visitors to the United States reported in 1860 that all single American women were called Joan, "while married ladies are distinguished by the suffix 'sons,' such as 'Joansons.''

These days the Japanese are more enthusiastic than ever about learning about the West, and the

The buzzword in Tokyo is koku-saika, or internationalization. In pursuit of that goal, students, secreever are studying English, traveling abroad, listening to Michael Jack-son records, dating foreigners and

guage," said Akira Nambara, re-search director of the Bank of Japan, in explaining the enthusiasm even a few years ago because they for learning the language. "Or, I attended U.S. universities now find should say, broken English is the international language."

Yet kokusaika is not all work

foreigners and foreign languages since Commodore Matthew C. Per-Indonesian, Indian and Italian res ry "opened" Japan with his gunry "opened" Japan with his gun-boats in 1853. Golf, baseball and city. So are pool halls and pizza rock music have been popular for parlors.

decades. But kokusaika has surged in the last iew years, partly because of the ers, although families still do not expansion of Japanese corporations overseas and the arrival of banker living in Tokyo, a single more and more foreign corpora-

tions in Tokyo. "It's kind of a prerequate for Japanese to go abroad, to learn foreign languages, culture, cus-toms," said Hiromitsu Takemi, deputy manager of the Japan De-velopment Bank.

C. Itoh & Co. attracted attention this summer when it became the first large Japanese corporation to appoint a foreigner — in its case, a Korean-American — to its board of directors. Japan Air Lines an-"English is the international lan-nounced this month that it would use," said Akira Nambara, re-hire 120 foreign flight attendants. nounced this month that it would

And Japanese who were spurned

international language."
Yet kokuszika is not all work
Of course, Japanese have studied and no play. Ethnic restaurants are

The figures, particularly for men, are bloated by the practice of importing Filipino wives for Japanese men, and by marriages to ethnic Koreans who have lived in Japan

It is also becoming more com-

mon for Japanese to date foreign-

always approve. An American

ways for an American man to end a

romance with a Japanese woman.

The first, he says, is for the man to explain coldly that the relation-

ship is linished and that he is flying

home for good the next day. The

second is to ask to meet the wom

That might not work these days

when there are more mixed mar-

riages. The proportion of Japanese

men marrying non-Japanese wom-en has soared acarly fourfold over

the last decade, so that today a bit

more than 1 percent of Japanese

Among Japanese women, six-

tenths of 1 percent marry non-Jap-

an's family.

childbearing age would rise by 25 More Japanese are also living percent to 346 million by the end of and traveling abroad. The strength More Japanese are also living of the yen makes it increasingly the century. In India, the number would grow by 39 percent to 250 expensive for foreigners to come to million and in Indonesia by 41 perers visiting Japan nevertheless rose 4.5 percent in the first half of 1987.

Foreign travel, on the other hand, is cheaper for the Japanese Mr. Pernia said that while the A record 3.08 million Japanese traveled abroad in the first half of 1987, up 22 percent from the same

English has been widely studied in Japan for decades, but the last few years have seen a special burst of enthusiasm. Large concerns like Nissho Iwai Corp. offer English lessons to employees each morning the working population between lessons to em the ages of 15 and 64 from 1985 to before work,

Some 1,300 English language 2010 would be more than 14 milschools operate in Tokyo alone, and the number is rising by at least would send more rural dwellers to 100 a year. It is estimated that 10 already overcrowded cities in percent of the population now studies English.



In Asia, Population Ups and Downs Pose Challenge

Asia has been most pronounced in

China, Hong Kong, Japan, Singa-

In a study published in May, Ernesto M. Pernia, an economist at

tion growth rates from 1960 to 1985

averaged 1.91 percent in China,

and 2.32 percent in Taiwan.

pore, South Korea and Taiwan.

By Michael Richardson rnational Herald Tribune

SINGAPORE - After 15 years of exhorting its citizens not to have more than two children, the gov-ernment of Singapore has launched a campaign of persuasion and fi-nancial incentives to encourage people to "have three, and more if you can afford it."

Brigadier General Lee Hsien Loong, Singapore's minister of trade and industry, warned recent-ly that if a decline in the country's birthrate was not reversed, the consequences would be calamitous.

There would ao loager be enough young people to sustain economic growth, defend the country or pay for the increasingly costburden of caring for the aged.

"If we don't reverse the trend," testimony back to the British Par-he said, "Singapore will be nothing liament, Mrs. Kinnock said: but old folks clubs, and instead of spending Sunday mornings dissing our future, we'll be sitting around discussing our past."
In neighboring Indonesia, Mo

hammed Sadli was sounding a different warning.

Mr. Sadli, a former cabinet minister who is now an analyst with the already has shown its sensitivity to Indonesian Chamber of Commerce, said recently at a conference of economists, business executives and government officials that if steps were not taken to prevent an expanding population from outstripping employment opportuni-ties, Indonesia could face mount-

ing social and political unrest. rying he anticipated that mislead-g statistics would be issued in Indonesia, with 170 million peo-ple, is the fifth most populous country in the world. Singapore, with only 2.6 million, is one of the

world's smallest nations.

A report published last month by Social Commission for Asia and The Detainces' Parents Support the Pacific aoted that a significant Committee maintains that at least shift in the age structure of the women of childbearing age incially estimated to have passed 5 trend, he said, Singapore's popula-billion in July. trend, he said, Singapore's popula-tion would start to shrink after

Since 1970, the report said, the average birthrate in the region stretching from China in the north to New Zealand in the south, and from Iran in the west to tiny Pacific islands in the east, had declined

the Asian Development Bank in Manila, found that annual popula-This was coupled with a fall in mortality rates, brought on by better nutrition and health care. Tatsuro Kunugi, deputy execu-tive director of the United Nations 2,36 percent in Hong Kong, 1 per-cent in Japan, 1.79 percent in Sin-gapore, 2 percent in South Korea

Fund for Population Activities, said at a planning conference in Bangkok in August that demographic developments in the Asia-Pacific region, which has more than half the world's population, "determine to a considerable extent global population trends." al population trends." He said the area's population was expected to surpass 3 billion in

pore, the birthrate had dropped from 1.62 percent in 1985 to 1.44 the next three years and to reach 4 billion by the year 2020. The global population was offi-

percent last year, one of the lowest rates in the world.

peaking at 2.9 million about the ity and the rise in life expectancy in

Mr. Pernia's study projected that from 1985 to 2010, the rate of population increase for China, Japan, Hong Kong, Singapore and South Korea would fall well below the replacement rate.

The UN report said that in countries where the population was agto be found to care for the elderly and to provide income mainte-nance and social security. But it said that a more pressing

problem for many of the largest developing countries in Asia was to cope with the consequences of high fertility and falling mortality in the past, which had resulted in an increase in the proportion, as well as the absolute number, of women of childbearing age.

For example, in China, the re-If the 1986 figure became a port said, the number of women of

cent to 58 million. Family planning and population 4.5 percent in the control measures should therefore to 1.02 million. be intensified to cope, the report

increase in the number of women

of reproductive age was dramatic, an even more critical development was the projected growth of the Asian population's labor force over the next two decades. In Hong Kong, Singapore, South Korea and Taiwan, the increase in

lion, be said. This surge, Mr. Pernia said,



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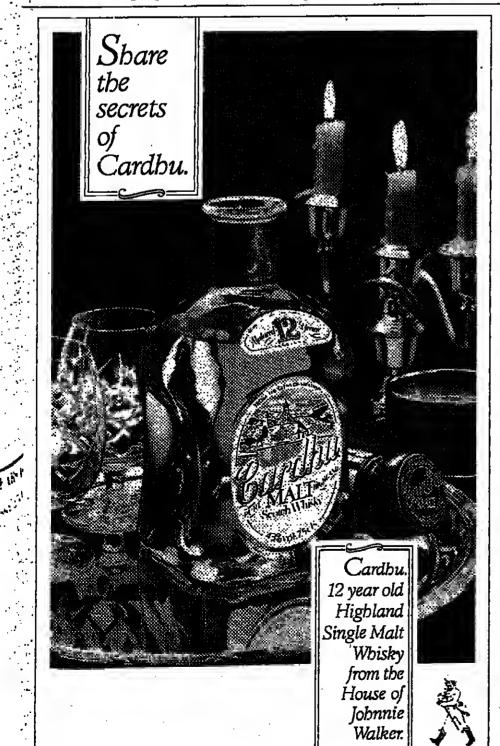
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By Jackson Diehl and David Hoffman

Washington Post Service
WARSAW -- The Polish leader,
General Wojciech Jaruzelski, rebuffed on Sunday appeals from Vice President George Bush for political changes snught by the banned Solidarity trade union, describing them as "suicidal" in talks that appeared to make no headway in resolving U.S.-Polish differ-

On the second day of a visit here intended to boost his presidential peatedly made symbolic gestures of support for Solidarity while taking a hard line with the government. He flashed a Solidarity victory sign at a waiting crowd, heard praise for Solidarity and the individual free-doms guaranteed by the U.S. Constitution at a Mass, and met Sunday night with Lech Walesa, the Solidarity founder, at a private din-

"We support Solidarity." Mr. Bush said as their meeting began.
"We support pluralism. We've been very clear on that."

Mr. Walesa responded: "We thank the ruling team of the United States very much for its under-standing of the Polish problem."

In what be described as a gesture to the Polish people, Mr. Bush in-formed General Jaruzelski on Sunday that the United States would cooperate in belping Poland to reschedule outstanding debts with the Western government creditors. U.S. officials said the vice president had been sympathetic to Po-lish expressions of frustration and urgency over making payments on its \$31 billion foreign debt.

Officials conceded, bowever, that Mr. Bush had not succeeded in winning any additional commitments by General Jaruzelski to the political reforms the Reagan administration maintains are necessary in Poland, including the reestablishment of free trade unions. Instead, officials said, General Jarnzelski reviewed at length ongoing initiatives of his government and argued that his human rights record was good.

At St. Margaret's Church in the village of Lomianki, where Mr. Bush attended Mass Sunday morning. The Reverend Jan Czerwinski delivered a strong endorsement of Solidarity and praised the U.S. Constitution as "a miracle."

We in America have watched and suffered with you," Mr. Bush told the crowd. "But we are confident that you will not merely survive the present difficulties, but has been provided for some time without public acknowledgment.

■ Walesa Detained

Mr. Walesa was detained briefly by the police Sunday evening on the way to his meeting with Mr. Bush, witnesses said, United Press International reported.

Mr. Walesa was stopped about 100 yards (90 meters) from the residence of the U.S. charge d'affaires, the witnesses said. It was not immediately clear whether U.S. officials interceded to get Mr. Walesa into

Angolan Leader Meets Pope

VATICAN CITY - The president of Angola, José Eduardo dos Santos, met privately over the weekend with Pope John Paul II U.S. forces to attack Iranian mine backed breakout in the Gulf region pected to visit Angola during a tour where in the Gulf. of southern Africa late next year.

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Prince Jean at the ceremony at the Châtean d'Amboise.

GULF: Criticism From Weinberger

The Post reported its Sunday

editions that Mr. Zakhem had told

reporters "he believed that, if given

the chance, some of the crewmen of

"But," the newspaper quoted

access to the Iranians while they

Mr. Zakhem, 51, said Sunday:

"Whatever I said about returning

or oot returning the prisoners,

lence in Mecca in Saudi Arabia at

Saudi calls for a break in relations

rism of both Iran and Iraq.

to the seven-year-old war.

version to punish them.

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were in U.S. Navy custody."

access to them."

IRAN: Raid Seen as Lift for Arabs

minister of information, Sheik the end of July, Arab League for-

Tariq Moayyed, "and the fact that cign ministers have twice rejected

Arabia and Kuwait for joint use of expectations are moderate."

Since the Iranian-inspired vio- bring Iran to the table.

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wanted to use this for political

purposes. Of course, we refused."

■ 'Off Record,' Envoy Says

rain, Sam H. Zakhem, said Sunday

that he was speaking for himself and "off the record" when he sug-

gested that Iranians captured

aboard an Iranian mine-laying ves-

swap for foreign hostages held in

Lebanon, the Associated Press re-

Mr. Zakhem also denied a report

quoting him as saying the State

Department did not have access to

the 26 seamen to find out if any of

In a telephone interview, Mr.

nalists on Saturday night were "off craft.

Zakhem said The Washington Post

(Continued from Page 1)

somebody stopped them was very

are alert and will stop you, then you

might think twice before doing it

In the short run, the U.S. mili-

air and naval bases. Some support

Gulf into a Western-Arab alliance

to isolate Iran and cut off its arms

supply still appears a distant and unlikely prospect in Arab capitals, officials and diplomats said.

There has been a strong and per-

sistent sense in the conversation of

leaders of Arab nations in the Gulf

that they will have to continue liv-

The American attack may also

have raised some fears in the Gulf

that the United States has crossed a

new threshold of escalation, be-

yond which Congress and Ameri-

ern fleets go home.

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positive. If you know that people with Iran.

them wanted political asylum.

sel might be held for a pos

ported from Manama.

The U.S. ambassador to Bah-

Providing la République With a New Pretender

By Edward Cody ngton Post Service

AMBOISE, France - The Count of Paris, the chief pretender to the French throne, had 2,000 of his closest friends and supporters by the Château d'Amboise on Sunday for a regal little ceremony.

Under a brilliant autumn sun beside the 15th-century chatean, the count marked the Capetian Dynasty's first millemum and moved to ensure its survival for a second by presenting his 22-year-old grandson as his royal heir "to exercise fully the rights and duties of the Capetian House, as I did

The count's full name is Prince Henri Robert Ferdinand Marie Louis Philippe d'Orléans. He has turned 79, and one never knows in the royalty business.

The French have done without a king nicely, they will tell you - since Louis Philippe was unceremoniously overthrown in the revolution of 1848. In fact, they seem constantly to remind one another how good it feels to be rid of royalty, shouting vive la République at nearly every official

But the count and a minuscule number of Frenchmen have been brought up differ-

tics and play the role of arbiter and symbol of the nation. While embracing modern democracy, the royal dynasty proclaims it is ready for the call if France ever feels the

"I intend to pursue until my last breath the dream that today is millenary," the count said Sunday before turning over his powers — or pretentions — to his grandson

Prince Jean, who has finished philosopby studies and starts law (republican) next month, responded that he is ready to take up the barden of service to France just in case anyone asks — and carry on a family tradition started when Hugues Capet was crowned in 897 and founded the House of France.

"If one day circumstances lead Frenchmen to confer national responsibilities on me, it will be because I have earned their confidence by my work, my efforts and, I hope, my services rendered," he said. "The second millenium has begun, in honor, peace and respect. With the help of God, ong live France.

Painfully aware of history here since

ently. For them, France still needs a 1789, no one shouted "Long live the king." crowned head to rise above electoral polimorning's elegant tone by shouting vive la République either.

As a choir of young boys sang a Te Deam, the royal family moved among their lests to accept applause and congratulations. Symbols of royal hospitality, tables laden with food and drink, were spread about the château grounds on a bluff overlooking the Loire River.

The count also conferred on Prince Jean the title of Duke of Vendôme, apparently hoping to make it easier to wait for the call. Dukes of Vendôme have done well in the family, Henri reminded his grandson.

Prince Jean's 19-year-old brother, Prince Eudes, also received a title, becoming Duke of Angoulème. Their sister, Princers Marie, ot to sit on the platform of honor for the High Mass and royal ceremony, but she received no title. In the Capetian dynasty. women remain outside the line of succes-

That is one part of the royal tradition that the count would rather not talk about. His eldest son, the erstwhile Count of Clermont, who is Prince Jean's father, is still

The undeclared meaning of Sunday's conferral on Prince Jean thus was a generational jump in succession. This was decidse the count and his son, also named Henri, do not get along.

The reason for the dynastic spat, of course, is a woman. The young Henri, Count of Mortain, formerly the Count of Clermont until he was demoted by his father, was married at the age of 24 to Marie-Theresa, Princess of Wurtemberg, a German noblewoman who took the title the Duchess of Montpensier in France.

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After having two sons and a daughter with Marie-Theresa, however, the younger Henri ran off with a divorcee, Micaela Cousino Quinones de Leon.

The elder Henri insisted the Capetian Dynasty existed only within the rules of the Catholic Church, and that his son had therefore excluded himself from the line of auccession. In Sunday's ceremony seeking to underline his wishes, the count reminder the young Jean, who is still a bachelor, that hereafter he could marry only within the church and with authorization from the head of the House of France - that is,

Coup Leader Says He May Declare Fiji a Republic Reaces Indians, who slightly outnumber the island chain to Britain by tradisulva, Fiji — Lieutenant Colonel Sittiveni Rabuka has said that he is prepared to declare Fiji and the population of the populatio

the record," meaning not for attri-bution to him in any way.

(Continued from Page 1) take to seek a shortcut by a further

dollar depreciation." Treasury Secretary James A. Baker 3d said Sunday that he had

the Iran Ajr would have sought political asylum in the West." oot asked West Germany and Japan at the meeting to take additional steps to stimulate their econhim as adding, "no State Departomies, but beld out the prospect ment personnel responsible for that he would press for action in handling requests for asylum had the future. After the three countries follow South Pacific natioo into a repub-

through on the commitments they made under the Louvre agreement. "then we will look at what needs to be done," be said in a televised interview program.

those were my personal views. And never did I claim that the State West Germany and Japan Department did or did oot have agreed in February to approve tax cuts and other measures aimed at The Iranians were repatriated to stimulating domestic demand and had violated an understanding that Iran on Saturday, hours after the accelerating growth of their econocomments made to a group of jour-U.S. Navy blew up the landing mies. The seven nations cited those

steps in their communiqué Saturday, saying that "growth in domestic demand in surplus countries is picking up." They also praised a decision by President Ronald Reagan's decision to sign legislation that will reduce the U.S. budget deficit by \$23 billion next year. ·But in a speech Sunday before

the IMF's Interim Committee, Mr. A meeting of the Arab League Baker said that "imbalances reheads of state is scheduled for Nov. main large, and slow growth in Eu-8 in Amman, and the subject of how to deal with Iran is high on the rope is a matter of concern, particularly in the largest countries tary may wring additional concessions out of Oman, Bahrain, Saudi said, "Our hopes are high, but our This statement appeared to be a

reference to the concern of U.S. officials that West Germany is The fact of life for the Arab Gulf growing too slowly.

sistance on the Arab side of the solution that contains the district that c The intervention of the Western way in other countries," be said.

navies, if it has done anything for Interoational policymakers' them, has relieved them of the endclaims that the dollar need oot fall less hand-wringing over finding a further to help correct world trade regional or Islamic world solution imbalances are likely to be severely imbalances are likely to be severely tested in the near future. European In one sense, the big powers are currency analysts said Sunday. ing with Iran long after the West- oow the foil for the weakest nations

What the officials are saying is in the Gulf neighborhood, who had pursued a policy of aiding Iraq in still wishful thinking," said Bob Bauer, a senior currency dealer at private until Iran resorted to mili-Commerzbank in Frankfurt. "We tary intimidation and internal sub- are on the right road but we've oot arrived yet. The dollar will have to

Ever in search of a safe haven, While the worst of the trade can public opinion may not be will- the Arab nations that have the ing to support. The willingness of most to lose from an Iranianproblems may be over, analysts believe that the adjustment process is during a two-day visit to Italy, the warfare forces, therefore, may not appear to be preserving their optoo slow and that further action,
Vatican said, but no details of the translate into an American retion to play peace makers with Iran such as deeper cuts in the U.S. talks were given. The pope is ex- sponse to Iranian aggression else- - but only after the Americans budget deficit or faster growth in have applied sufficient pressure to Japan and West Germany, is re-

(AFP, NYT, Reuters)

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Colonel Rabuka told an Austra-

is prepared to declare Fiji a republian journalist that he was prepared to declare Fiji a republie and, if lic and leave the British Commonwealth, and the first signs of violent protest against his second coup in oecessary, withdraw from the Commonwealth as early as Oct. 10. less than five months bave He said he chose Oct. 10 because Colonel Rabuka, 39, met the

113th anniversary of the transfer of tration since the first coup.

Rabuka presented Sir Penaia with a tabua, or whale's tooth, as a traditional mark of respect before the discussions Sunday. Sir Penaia, the repre

it is the 17th anniversary of inde- Queen Elizabeth II of Britain, had pendence from Britain and the been heading an interim adminis-

elected government of Prime Mins ister Timoci Bavadra in May after Fijian militants threatened violent protests against the prime minut ter's Indian-dominated coalition

On Sunday, troops had a firm roadblocks at every major junction and soldiers with automatic rifles patrolling the deserted streets.

ARMS: U.S. Officials Divided on Space Defense Talks.

(Continued from Page 1) proposed limits on the speed of work out such a list of limits, it space, nterceptors and the brightness of should agree to what Moscow calls lasers are "not that far out of the Another expert said that the lim-

its proposed on the size of spacebased mirrors are regarded as more of a problem, while suggested limits on particle-beam and microwave weapons are regarded as overly severe. The Soviet list does not address

outside the university.

The army said it did oot know some potentially important issues, the intended target of the bomb, such as when and where tests would be conducted, U.S. experts said. They added that other impor-The blast underscored the rising tant issues had to be clarified. tensioo between ethnic Fijians and

The Soviets said last week that if

The Reagan administration has argued in favor of a more permissive interpretation of the treaty that would allow extensive testing in space of some "exotic" types of defense systems, such as lasers.

Mr. Nitze and other State Department officials are said to favor talks in which the United States would offer counterproposals on ABM treaty.

the United States did not want to what objects could be tested in

Supporters of his position assert the traditional interpretation of the that the Soviets are unlikely to 1972 anti-ballistic missile treaty, which sharply restricts the testing and deployment of anti-missile sys-"star wars" testing for a specified period, as Moscow has demanded Mr. Nitze's position is strongly

opposed by some senior Pentagon officials and others. One senior Pentagon official said

that the administration should be a second to the comphasizing the importance of co. : 200 - 200 - 201 operating with the Soviets in a transition to anti-missile defenses instead of taking steps to preserve the preserve the ng termine to take to helich.

discovered in 1985.

planted the devices.

Israeli intelligence services.

CASEY: Woodward Book Lifts a Corner of the Veil on His CLA Operations

governor general, Ratu Sir Penaia

Ganilau, on Sunday for talks be-

lieved to center on turning the

The meeting came several hours

after a bomb exploded in Suva,

killing an Indian and seriously in-

juring two others as they apparent-

Colonel Rabuka staged the coup

between ethnic Fijians and the

The military said a faculty mem-

ber of the University of the South Pacific was killed Sunday when the

bomb exploded in his lap in a car

and officers were waiting to ques-

tion the two injured Indians,

Friday to forestall Sir Penaia's

plans for a sharing of political pow-

lic, military sources said.

ly were trying to set it.

they must continue to profess in strong export-led growth in the de- writes that he never understood why Mr. Casey talked with him. At solution that contains the milita- participate in the process of one point he quotes Mr. Casey as strengthening growth now under- saying, "Everyooe always says

more than they are supposed to." Their last cooversation took place in Mr. Casey's bospital room several weeks after he had undergone surgery for the brain tumor that led to his death.

Mr. Woodward asked Mr. Casey if he had known of the diversion of profits from U.S. arms sales to Iran to aid the Nicaraguan rebels known as the contras.

Mr. Casey nodded. Mr. Woodward asked Mr. Ca-

sey, "Why?"
"I believed," the gravely ill man

reolied. Then he fell asleep. administration became obsessed Sandinist government to leftist rewith terrorism and threats of viobels in El Salvador. But the support lence from the first months of the continued after the arms shipments

gan was wounded in a March 1981 sassination attempt. That attempt had a greater im-

While the picture presented to and south. the public by the president and his sides was one of a remarkable re- tor of central intelligence, Admiral covery, officials at the White House Bobby R. Inman, an intelligence worried that Mr. Reagan might not profes

into ever-expanding secret and Casey also hid details of the contra paramilitary worldwide operations, operation from Mr. Inman's sucoften in the face of strong agency dissent and with the clear intent to in 1986.

The House and Senate select of these activities; Mr. Woodvard's book raises many questions Tel (01) 370 7151 about the effectiveness of congressional oversight. BRUSSELS, ANN ESCORT Service. Tel: 02-733 89 47. Credit conda accepted.

The book also raises questions were occurring while Mr. Casey ran the CIA, and what else might still be operational. Mr. Woodward writes that he was able to learn only fraction of the story of Mr. Casey's secret activities. Among the other disclosures in

the book

NEW YORK-LADY ONNAMON Es-cort Servive 212-996-2557 Mr. Casey personally planted an electronic "bug" in a foreign leader's office, several CIA officials BRUSSELS NEW MARKSEA ESCORT and Guide Service, Tel-02/538,19.37. SENEVA CHRISSIE PSCORT SERVICE Tel. 430 117 MUNICH - SECRET ESCORT & Guida Servica, Tel: 089/ 44 86 038.

be asked Mr. Casey about it. "He the invasion, staunchly defending concluded that the Soviet discovery he stimulated that information was glowered dramatically when I mentioned the name of the country and tion of Eastern Caribbean States, nications cable had to have been the official and said that that which she headed, requested U.S. the result of information provided should never, oever be repeated or intervention in Grenada ublished."

• Mr. Casey was deeply influenced by a 1981 book on terrorism

(Continued from Page 1)
and conversations with Mr. Casey
and conversations with Mr. Casey
from 1983 to 1987. Mr. Woodward

The W

Bob Woodward

The book also describes how the arms shipments from Nicaragua's Reagan presidency, after Mr. Reaceased and the true purpose of the overthrown.

program emerged: to overthrow pact on official attitudes than is maintained that its covert support

more difficult time recuperating, plan "to split Nicaragua in half"
He was instrumental in arrangthan the public realized at the time. with invading forces moving north ing for \$25,000 to be funneled in the public realized at the time. be physically able to resume com- Capitol Hill, quit early in 1982 be-

cessor, Mr. McMahon, who retired

even if it meant "cooking the elected president of Lebanon in books" and distorting intelligence 1982, be "secretly asked the CIA to provide him covert security and intelligence assistance," and Mr. be developed. committees on intelligence have Reagan approved an intelligence The CIA later determined that long suspected Mr. Casey of some "finding" authorizing such supmany of the reports came from port. Mr. Woodward says Mr. Gesources "whose credibility is open about what other secret activities Washington law firm" and remained on the CIA payroll for

point \$100,000 had been passed" to the government of Prime Minister Mary Eugenia Charles of Dominica, the Caribbean island that Atlantic Fleet, concluded that So- on the major intelligence topics displayed a key role in the October 1983 U.S. invasion of Grenada. Mr. Woodward says Miss Charles denied to him that she knew of any said, though a senior official de-scribed the incident as "apocry-phal." Mr. Woodward writes that briefing room on the morning after John Walker spy ring was discov-ing. He also knew I was gathering ered in 1985.

A secret Navy report in 1982 CIA, and on a number of occasions

misled Congress about the justifi-cation for its support of the con-Network," that argued that the So-Similarly, the book reports, ti

that "the Soviets were not the hid-den hand behind international terrorism" was never made public, according to Mr. Woodward's book.

 One of the biggest CIA facili-ties outside the United States is in Cairo, and the CIA had "the Egyptian government wired electronically and had agents from top to bottom." Mr. Woodward writes that the Egyptian president, Anwar Sadat, worked closely with the CIA before his assassination and at times treated the director of central intelligence "like a case officer." • In 1983 the CIA was running

about 12 "security and intelligence assistance operations," ranging in cost from \$300,000 to more than a \$1 million annually, to preserve the governments of such leaders as Ferdinand E. Marcos in the Philippines and Gaafar Nimeiri in Sudan, both of whom have since been

· Mr. Casey greatly expanded the CIA's covert budget for propa-Later, while the administration ganda operations, providing money secretly to foreign newspapers, generally understood, Mr. Wood- of the contras was intended only to think tanks and institutions as well ward says, because Mr. Reagan interdict the export of arms from as funding "to keep a few Europe-came closer to death, and had a Nicaragua, the CIA had a military an writers in readiness."

through a private U.S. foundation Mr. Casey's first deputy directo belp the Roman Catholie Church in Nicaragua, a project canceled after Senator Daniel Patsional with broad support on rick Moynihan, Democrat of New York, then vice chairman of the cause Mr. Casey cut him out of the Senate Select Intelligence Commit-Mr. Woodward portrays Mr. Ca- contra operation and refused to an- tee, learned about it and protested sey as aggressively pushing the CIA swer his questions about it. Mr. strongly, Mr. Woodward reports. Three months of intelligence

reports in the autumn of 1981 citing Libyan threats to assassinate in true, permanent secrety. It was Mr. Reagan and other senior U.S. part nostalgia. It was also part circumvent congressional oversight • After Bashir Gemayel was officials created a frenzied atmosphere in the CIA and at the White House, leading the president to order that military contingency plans

mayel, who was assassinated before to question" and that the reports taking office, "had been recruited "may have been generated because by the CIA when he came to the informants are aware that we are U.S. in the early 1970s to work for a seeking this information." The embarrassing revelations of 1985, "the year of the spy," were

> In the late 1970s intelligence of-ficers on the staff of Admiral Isaac C. Kidd, then commander of the was able to obtain his perspective viet reactions to U.S. fleet exercises cussed in this book." showed that they were reading the U.S. Navy's classified message traffic, but nothing was done until the as a source for my newspaper with

the operation after the Organization of Eastern Caribbean States, micatious cable had to have been newspaper but was for the book. by a buman source, but this was viewed the press as an adversary,

tras. Initially, the administration viet Union was behind much of the CIA station chief in Moscow ca- he was prompted by consideration

The Debt **D** stood only when the betrayals of Edward Lee Howard, a former CIA agent who fled to Moscow, were

 Congress also had counteril. telligence problems, according to the book. Two "bugs" were discov-ered in the office of Barry Goldwater, then Republican senator from Arizona, when he was chairman of

Arizona, when he was chairman of the intelligence committee. U.S. se curity personnel did twice-weekly sweeps of Mr. Goldwater's office

but were unable to determine who

M. Berr. The book also describes how Mt.

ASSENCTION _ Detropoly by the

Casey became increasingly anxious to go beyond normal channels to carry out operations, often by turn-Brazilian finance ing to the "friendly" Saudi and RESERVED. LOSS CLER-केवार प्राचीका प्राची है। "We have a chance to establish A ferman dent be our own foreign policy," he is said Ettel ale cuicking to have remarked privately to as-The month out it other official, a comment that echforeign the eneroes criticisms later made about him mass pura defrito reby congressional investigators.
"We're on the cutting edge. We are Marand debter allike. the action agency of the govern-Alleger enement engage Shark dert or their

president's, Casey's convictions, ierce loyalties and obsessions were behind the Contra operation, the Iran initiative and the range of other secret undertakings and claude-tine relations," Mr. Woodward writes. "His view of the law in the partiers with the p minimum compliance and minimum disclosure — had permented his to discuss the the Reagan foreign policy enter-prises. His ambition had been to prove that his country could do these things, as he once told me. He meant covert actions conducted in true, permanent secrecy. It WIS demonstration of willfulness."

"As much as anybody's, even the

Mr. Woodward's book describes oumerous incidents in which menbers of Congress knew or suspected many details of secret operations but did nothing, either because of pledges of secrecy, or lack of interest or will. Mr. Woodward'a book leaves

many questions unanswered. One has to do with Mr. Casey and the book itself. Mr. Woodward writes: "We

talked at his house, at his office, on ears.

all preceded by warnings the govplane rides, in corners at parties, or
CIA records show that "at one ernment could not or did not heed. on the phone. At times be spoke freely and outlined his views. At other times he declined. Overall, i

Why would Mr. Casey, wh

was discovered in 1985.

Similarly, the book reports, the spirits as an adversary of that? Mr. Wood W. Pelton at the National Security ward speculates that it was M. Casey's way of "playing defense or of "shaping the story." Perland program was designed to interdict terrorist activity in the world. Mrs. bled Washington in 1984 about of personal curiosity:

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International Herald Tribune Special Financial Report Monday, September 28, 1987

World Banking

Commentary

Why 'Adjustment'

See to discover to the state of the sta

eclare Fiji a Repub ASHINGTON - Disturbing over this year's annual meet-ings of the World Bank and International Monetary rund. Economics growth in the industrial countries continues at a low level, real interest rates remain high commodity prices remain depressed. at a low level, real interest rates remain inguing and commodity prices remain depressed. Trade barriers, massive payments imbalances and volatile currencies have weakened the economic recovery that began in 1984. And debt burdens continue to undermine around growth in developing countries.

And debt burdens continue to undername economic growth in developing countries.

Without coordinated international action to reverse these trends, per capita income, consumption, imports and investment in most developing nations in 1990 will be well below the levels of 10, even 25, years earlier. Director on Species Defense a sub-Saharan Africa falls below its 1965 level and per capita investment in the highly in-debted middle-income countries is reduced

Such a disaster would cross international borders and afflict the terms of trade and domestic economic growth of the developed domestic economic growin or and continue countries. In short, if these trends continue countries. In snort, it made to the world faces eventual recession.

Against this unhappy prospect, there is at least one encouraging development. Many governments in developing countries are be-ginning to move away from rigid, closed and inefficient economic systems toward free. more open markets and lewer price-distort-

ing internal subsidies.

In Nigeria, for instance, policy reforms are helping reduce dependence on oil for export earnings. In China, greater incentives export earnings, in clima, greats. Mexico is have been provided to farmers. Mexico is mave been provided to talk of public enterprises and reforming its trade policies.

These adjustment programs, which the World Bank has supported with advice and

of the Veil on His (IA Open Barber B. Conable Jr. is president of the World Bank

financial assistance, are born of necessity, even desperation. But they direct nations toward greater efficiency and they help make them stronger international competitors and better credit risks. At the same time, adjustment can impose heavy social costs. Tangible results and perceptible speed are necessary to mitigate short-term economic

disruptions and political upheaval.

While the boldness of these nations' leaders and the patience of their citizens serve as positive examples to all policy makers, the process of adjustment is far from complete and its success is far from assured, Success also depends on the willingness and political resolve of the industrial nations to adjust their own policies and practices to global

The developed countries must take concerted action to assure significant, steady and non-inflationary expansion of economic activity. The rising tide of protectionism must be reversed. Urgent and imaginative measures to lighten the burden of debt service are needed, especially for the most distressed countries in the developing world. And the industrial nations must provide substantial new flows of external finance to nourish the developing countries' economic

Adjustment is a two-way street, All nations have a common interest in mounting and maintaining a coordinated and vigorous response to today's economic crisis. And that response must include steps to promote freer trade.

Increased tariffs, defensive quotas, subsi-dies to exports and a maze of nontariff barriers are increasingly used to shield non-competitive sectors from free trade. These devices are imposed frequently as "temporary" measures to permit adjustment and restructuring but too often become perma-nent fixtures on the global landscape.

The industrial countries are becoming more protectionist in a growing number of sectors after 25 years of progressive trade liberalization of everything but textiles and agriculture. They now have nontariff restrictions on 20 percent of their 1985 imports and maintain tariff rates above 10 percent ad valorem on 10 percent of imports.

ARIFFS on exports from developing countries to the United States. the European Community and Ja-pan, remain higher than tariffs on goods that those buyers import from each other. The developed world cannot credibly encourage efficiency and competition abroad so long as it practices this degree of protectionism at home.

Expanding trade, stimulated by a decrease in protectionism, can be one of the main engines of global economic growth from which all nations benefit. The Uruguay Round of trade negotiations, launched in

What may

have been

possible in a

bull market

is no longer

realistic

late 1986, provides the opportunity to roll back the recent protectionist measures. But much can and should be done urgently, outside of these negotiations, to liberalize trade pending the completion of the formal

Free trade is essential to successful development efforts and so too are adequate financial flows to promote adjustment, invest-ment, growth and the alleviation of poverty. The record of the past few years is disap-pointing. Measured in 1985 prices and exchange rates, financial flows last year were little more than half the total seen in 1980. The decline in private flows, particularly from commercial banks, has been especially

Continued on page 8

Climate of Caution

Boom Gives A Hangover To Markets

By Kevin Muehring

ONDON —A joke making the rounds of pubs in the City over the last few months has a number of pub drinkers trading a can of sardines to pass the time. They start at £1, the price quickly rising in £1.10 and £1.25, then spiraling up to £3, whereupon a hapless end buyer suddenly stops the game, upens the can and discovers that the sardines taste positively dreadful

"Well, what did you expect," says one of his fellow traders, "They were for trading, not eating."

There are probably dozens of bankers and even more fund managers who feel they, too, have been left with the sardines over the last six months of market upheaval. The bottom end of the decline in interest rates was severely tested this spring and summer, marking what many believe is the end of the great bull run of the last

A collapse in the perpetual sector of the floating rate note market early in the year, for instance, was soon followed by a downturn in dated FRN paper. A dramatic reversal in the fixed-income markets in April was repeated in August. Trading losses and portfolio write-offs reached into the billions, especially among the Japanese life insurance companies. For issuers, strong investor resistance brought new issue volume to a trickle and yields higher through the summer

New issue volume in the external bond market has exploded threefold since 1983, reaching \$167 billion or more in 1985, according to the Organization for Eco-nomic Cooperation and Development.

In 1986, the new issue volume surged again, exceeding \$726 billion. But this year, overall new Euro-issue volume dipped for the first time this decade. And the dollar Eurobond market, long the bedrock of the sector, fell to its lowest share of the new issue volume in the market's

In hindsight, it is apparent that a good chunk of the great volume of new paper flowing into the market since 1984 never really reached buy-and-hold end-investors, but was simply accumulated by the commercial banks looking for assets to replace their disintermediated loans

Continued on page 11

The Debt Dilemma

Pressures Building For Debtors, Banks

By John M. Berry

ASHINGTON -The proposal by the Brazilian finance minister, Luiz Carlos Bresser Percira, to discount his country's huge foreign debt by about 50 percent was quickly rejected earlier this month, but it underscored once again the enormous problem that such debts re-

main for creditor and debtor alike. Brazil has made no interest payments on its bank debt, or that owed to several governments, for seven months, a fact that caused many large American banks to loss reserves in the second quarter.

Brazil said it simply did not have
the money to make the payments and, at the same time, keep its economy growing.

The proposal to discount the

JOHN M. BERRY is a Washington Post reporter covering domestic and international finance. existing debt grew out of a grow-ing feeling in Brazil that it has made all the internal sacrifices it ought to be asked to make in the form of falling income and investment in order to keep up payments

Several weeks before the finance minister's visit here - during which Treasury Secretary James A. Baker 3d bluntly rejected his proposal — a group of Brazilian congressmen were in Washington floating the same idea.

The congressmen argued that the banks ought to recognize the market reality in which Brazil's debt was being traded in a thin secondary market at about 56 percent of face value. If the debt were written down accordingly, Brazil would have enough foreign ex-change earnings to make the re-

After all, they said, the banks had made incrative profits on their Brazilian lending in the past, and they questioned whether there

Continued on page 9

INSIDE THIS REPORT

Large losses on foreign and domestic loans announce a period of prolonged turmoil in the American banking industry.

As leaders of Latin America's eight largest debtor nations prepare to meet again, unified action appears unlikely.

Plans for an African summit on debt repayment signal progress

Behind the Losses in U.S.

Latin America's Dilemma

Development in Africa

Asia's Steady Advance

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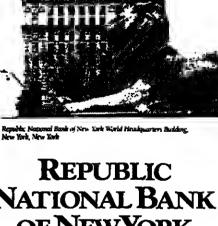
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FIGURES AS AT DECEMBER 31, 1986: TOTAL ASSETS: US \$ 16.8 billion SHAREHOLDERS' EQUITY: US \$ 1.6 billion

at the African Development Bank.

tering its third year has transformed economies in the Pacific region. But for banks active in East Asia, it has been a decidedly mixed blessing. Asia's economic strength is forcing banks to find new strategies to deal with the decline in the region's syndicated-loan market and the shift to-



U.S. Institutions Face Uncertainty

Most major corporations no longer turn to banks for loans

By John M. Berry

ASHINGTON — American banking is to turmoil and it is likely to stay that way for years to come. Regulatory changes, new competition from other U.S. and foreign lenders and a long-term erosion of profits on banks' traditional commercial lending business has left the industry facing an uncertain fature,

In the short run, all these problems have taken a back seat to the enormous losses many banks have suffered this year on domestic energy and real estate loans and the more highly publicized loans to devel-

In the first half of this year, banks made such large additions to their loan loss re-serves — a step that reduces earnings that the roughly 50 banks with revenues of about \$1 billion or more annually collectively lost nearly \$10 billion. The Federal Deposit Insurance Corp. (FDIC) said it was the first quarterly loss since the Depression. In the first half of 1986, virtually none of these large banks showed a loss; this year about three-fifths of them did.

But the problems do not involve just big banks with large losses on foreign loans, About 200 banks are expected either to fail or require direct assistance this year from the FDIC, which insures deposits at commercial and mutual savings banks.

Earlier this month, the FDIC put up

almost \$1 billion to bail out First City Bank Corp. of Texas, which operates 62 banks across that state. First City had about \$12 billion worth of assets, about 15 percent of which had turned sour, particularly some to

energy and real estate. Most of the failing banks are small and located in smaller cities and towns, The 10th Federal Reserve District, which covers a vast portion of the nation's beartland from Oklahoma north to Nebraska and west from Missouri to Wyoming and Colo-

rado, has been particularly hard hit.

Dozens of banks have failed in the last two years in this group of states, most of which historically allowed little if any branching. As recently as 1980, Wyoming banks had the highest average return on assets of any state; last year they had sunk to 48th as the state's basic mining and agricultural industries remained depressed.

serve Bank, which covers the district, expect only a small improvement in bank profit-ability this year, and if enough loans have to be charged off, profits could fall again, according to Forest Myers, manager of the bank's policy and special projects depart-

In some cases, such as in Connecticut recently, a major merger was negotiated before the barrier came down and was announced immediately after it did.

Bank branching and a state's openness to institutions based elsewhere have been issues left to the states to decide, and Congress has continued to follow that line. But if many other pending regulatory issues are not addressed soon at the federal level, analysts expect that state authorities will begin to decide those as well.

Meanwhile, the problems associated with failing banks, and failing thrift institutions as well, continues to push state legislatures to drop barriers to interstate banking. A number of regulatory experts believe that within five years or less essentially all such barriers likely will be gone.

The first federal banking legislation to pass in five years this summer put a moratorium on any extension of new powers to banks until next spring. Congress is supposed to use the intervening time to resolve such questions as whether banks should be allowed to underwrite most bond and equity issues and the extent to which commercial corporations should be allowed to own and control banks that take federally insured deposits.

This year's legislation closed the socalled non-bank bank loophole. Because banks were defined in federal law as an institution that took deposits and made commercial loans, some commercial corporations - such as Sears Roebuck and Co., the retailing giant, and American Expressacquired banks - stopped making commercial loans, thus getting around the re-

strictions on ownership.

Advocates of opening up bank ownership, including former Citicorp chairman Walter B. Wriston, argue that careful over-sight of banks by regulators would be sufficient to prevent any abuse of the institution even by a corporate parent that itself got toto serious financial trouble.

Opponents such as E. Gerald Corrigan, esident of the New York Federal Reserve Bank, think the danger is too great and that a corporate owner in difficulty could find ways around any regulatory restrictions and tap the bank's funds.

Relaxation of restrictions on ownership might make more capital available to banks that sorely need it to offset some of the losses they have experienced, according to Mr. Wriston and others. And it might also make them more competitive in a variety of ways, they say.

FAMOUS DAIWA DIALOGUES

"Where were you when

The Hike in Loan Loss Reserves

Benk Holding Company	Assets	Loss	Addition to Loan Loss Reserves
Citicorp	1944	2.6	3.8
Clase Manhattan	98.9	14	(45) 6 4
Bank of America	97.0	. 11.20	
Chemical New York	78.4	19	MACHINE !
J.P. Morgan	747	0.6	0.9
Manufacturers Hanover	738		
Security Pacific	64.7	0.2	12.05
Bankers Trest	54.7	0.67	6.7
First Interstate Bankcoap	51.8	0.5	7 . O. O.
Wells Forgo	-		
Source: Company Reports			

The problem is that many of the new activities they might undertake if regulators permitted are themselves not without risk. Getting into new lines of business takes startup capital, which the institutions might well use in other ways. Moreover, this is all taking place against a background of longterm erosion of the core business of banks:

commercial lending. Most major corporations no longer turn to U.S. banks for loans. Instead, they borrow directly in the capital markets using commercial paper, a form of corporate promisory note, and use a line of credit at a bank or group of banks to back up payment of the commercial paper,

ORE and more banks are providing such services for fees rather than making a profit on the spread between their cost of acquiring funds and the interest rate paid on loans. In addition, to the consternation of some regulators, a growing source of profits has been gains on trading activities in foreign exchange, government securities and similar

While what was once their core business is shrinking, banks are also being hurt by new competition from a host of foreign banks and securitles firms. These organizations have been willing to cut charges to the bone to gain a share of the American market, and the domestic banks trying to compete have had to respond accordingly.

The U.S. banks that are doing the best as a group these days are the "super-regionals," large, aggressive bank holding company operations in various parts of the country that have not been plagued by the foreign loan losses of the bigger money center banks.

If recent trends continue, say Senate Banking Committee staff members, this group could end up with half of all deposits to the United States within a few years. Their share has been growing at the expense of both smaller banks and bank holding companies and the money center giants.

However, the second quarter of this year was a hard one even for many of those banks, too. Nevertheless, among the 50 largest banks, they accounted for virtually all of those that showed a profit to the

According to Commerce Department fig-ures, commercial and mutual banks — a grouping that includes thrift institutions earned \$7.47 billion to 1986. That was up from \$6.76 billion in 1985 and far more than double the \$3.08 billion earned in the recession year of 1982. On the other hand, the 1986 number was still well under the \$8.58 billion that the industry made to 1979 before deregulation hit both the asset and liability sides of financial balance sheets.

And many analysts are worried that there are still a vast number of bad loans in bank portfolios that will eventually have to be written off. For all the additions to loan loss reserves in the second quarter, estimates are that the money center banks have set aside only enough money to cover about one-fourth of the value of their foreign loans, loans that are trading in many cases at 50 percent or less of their face value.

With U.S. interest rates again rising, there could also come a test of the creditworthiness of the corporations that have issued billions of dollars worth of debt in connection with mergers, leveraged buyouts and other forms of corporate take-

This debt is in many financial institution portfolios and defaults could raise a new set of serious problems for the institutions. Rising rates will also make repayment more difficult for many real estate entrepreneurs, to say nothing of governments of developing countries already struggling to pay their

None of these problems is apt to be resolved soon, so the turmoil and uncertainty to banking will likely continue in defi-

New Plan Aims to Lessen Political Risk in Lending

By Vivian Lewis

ASHINGTON - Developing countries are again rolling out the welcome mat for direct investments after a de-cade and a half of shunning them. Suddenly, it is no longer done to be ate multinational corporations for their supposedly nefarious influence in the Third World. The reason is the diminished attraction of no-strings-attached alternatives to let-

ting foreign companies buy into a country's business These days, borrowing from banks, and trying to pay back with cold cash at a rate fixed without regard to domestic economic conditions or the results of a particular investment, has lost its appeal. Countries cannot repay. And banks cannot lend any more without refinancing the underperforming loans they already have to carry on their books or raising their capital to cover these Third World loans.

As a result, conversion of bank debt into equity is an idea whose time has come, if only a way could be found to do the trick.

One plan that will probably begin to operate sometime early next year is being put toto place under the auspices of the World Bank. Called the dultilateral Investment Guaranty Agency (MIGA), it will on into effect as soon as five or more developed countries ratify its convention (it already has the requisite number of developing-country ratifiers.) So far, only Denmark and Japan have come on board, but there is a strong possibility that West Germany, the Netherlands and France will complete ratification this year. And the United States, too, may ratify

MIGA is an international and broader variant of systems that exist in all Western industrial countries for providing political risk insurance to increase the attractiveness of investing in developing countries. But it goes further than national plans like the Overseas Private Investment Corporation (OPIC) of the United States or the 22 others run by developed countries, along with India and South Korea.

National systems often fail to match iovestor needs and only in Japan and Austria are more than half of direct foreign investments insured with the national plan.

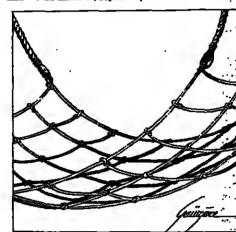
Furthermore, national insurance systems are un-dercapitalized in most cases. And unlike MIGA, they are intended as much as a way to help investor npanies as the developing country that is the host. MIGA, in contrast, will only insure projects for

which it can find a clear developmental toterest for the host country. But that is not to say that its insurance is not a very good thing indeed from the point of view of the iovesting company. A sign of this is the great interest being shown by international oil companies to the MIGA plan, according to World Bank officials,

MIGA will improve conditions for foreign inves-tors. First of all, investment is defined so as to include categories not normally covered by national systems — not just taking a shareholding, but also equity-cum-loan plans, as long as the foreign investor has management control and earns a return related to results. This means that production and profit-sharing contracts, franchises, licenses, leasing some turnkey contracts and even some debt investment is

Secondly, MIGA is flexible as to what "new" investments it will cover, and probably, according to Jürgen Voss of the World Bank, will be able to cover? debt newly converted into equity. Banks will be able to insure return on loans retinanced by taking interests in facilities in debtor countries.

Most importantly, MIGA will broaden coverage of the risks foreign tovestors run. It will cover not just the risks of war, but also armed conflict and civil imrest, riot and, in some cases, unrest by students or unions or terrorism directed against the foreign investor. It will not just insure against expropriation, but also against "creeping expropriation," which MIGA has defined as a series of host-country measures that in their combined effect is expropriatory, like a combination of new taxes, customs duties, minimum wage increases and training requirements that would make a project unprofitable.



It will cover not just the risks of corrency incom

vestment the return home of flight funds in fact owned by nationals of developing countries. To help persuade them to bring their money home, they will benefit from insurance as if they were foreigners.

Most importantly, MIGA is pioneering insurance against breach of contract, on condition that there is no arbitration panel independent of the host country to which the unfortunate investor can appeal or? whose ruling he can get enforced within 90 days:

MIGA can begin operating as soon as a sum roughly equivalent to \$360 million has been subscribed by its members, with its initial insurance guarantee amount limited to one-and-a-half times subscription. If all World Bank countries that have signed but not ratified the convention do so, it will have about \$1.5 billion to cover. No country risk may take more than 5 percent of the whole.

MIGA will not, therefore, be able to solve the world debt crisis by itself. But its regulations would allow it to increase its underwriting ceiling to a total of five times subscriptions by a majority vote, giving it a respectable war chest of \$5 billion or so.

VIVIAN LEWIS is a Washington-based financia

Adjustment: A Shared Burden

Continued from page 7

severe. In current dollars, the 1986 severe, in current dollars, the 1986 level was only about \$26 billion, compared to \$66 billion in 1980.

Many of the highly indebted, middle-income countries have become net exporters of capital to the industrial countries. And this is taking place just when they ur-gently need to expand domestic investment to secure growth. For the low-income countries, the picture is also a bleak one. Official development assistance from all sources fell in 1986. Concessional flows last year were barely above

1980 levels to real terms The World Bank and other multilateral institutions cannot by

The surplus economies in Europe and Asia must be stimulated to achieve greater growth while containing inflation.

themselves compensate for these shortfalls, even after increasing growth in the bank's lending pronet disbursements to the heavily todebted middle-income countries by 50 percent as the bank did in the last 12 months. The World Bank is ready to assume greater responsibilities and risks and we

will soon be seeking a general cap-

We are pleased that the donor nations agreed to provide the bank's affiliate, the International Development Association, with \$12.4 billion over the next three

to the very poorest developing na-tions. This is only a partial suc-cess, because still more concessional finance is needed for thes nations. We are, however, at tempting to reach a consensu among creditor nations on a pro gram of debt relief and growth oriented import financing for th most distressed low-income coun

We are also encouraged by th support by the international community for our work in striving to secure greater private investment flows to developing countries, no tably through the bank's affiliate the International Finance Corpo ration. Our efforts on this from can be strengthened by the lannching of the Multilateral Is vestment Guarantee Agency the we have proposed. Much more needs to be done to stimulate proposed with the land of vate direct investment to the Thin

The reality on the eve of the annual meetings is that the glob community faces the prospect dangerously slow econom growth in the developed nation. and further regression in the d veloping world. Everyone know what must be done. Further a justment is needed to the develop ing countries. In the industri countries, commitment to adju ment, to more open trade and increased resource flows, is vital needed to strengthen their or economies and those of the rest

More specifically, we need see the currencies of the strong economies stabilized. The surp economies in Europe and A-must be stimulated to achie greater sustainable growth whi containing inflation. Innovati-debt relief for the most distress countries and new capital flows developing nations from be public and private sources must provided. Global trade must liberalized, Budget deficits need be reduced, especially in the Un

This is a formidable agenda, not one beyond our reach. It mands that we move together. all fronts in joint, shared and p severing action. Much of the c cussion at this year's annual in ings will be based on this agen The common interest of all tions in regaining economic in mentum can be a unifying force

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I was trying to get into the Russian one?" We may not have been around in 1812 to help PepsiCo, Inc., BTR pic, American information Napoleon, but ever since the Tokyo Stock Technologies Corp. and Weyerhaeuser Co.; and in February this year Pharmacia Aktiebolag Exchange opened its doors to foreign of Sweden followed suit - all with a little help companies, we have been a leading contribufrom Daiwa. So if you have a yen to get into tor in helping them to list their shares. The number totals 20, more than a third of the the Japanese capital market, it is good foreign names currently listed. In 1986 we strategy to consult us. **Ask Daiwa.** Napoleon would agree. handled nearty 30% of the total trading of foreign stocks, and our unrivalled market authority means the shares we have helped to list have turned out to be those most heavily traded. In August and September 1986 Eastman Kodak and Chrysler were listed; later

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Aims to Less Latin America Steps Up Isk in Lend Demands for Debt Relief City, began demanding radical many ment rules.

American debts? The disday. Peruvian and Nicaraguan paper can be had for less than 10 cents on the can be had for less than 10 cents on the dollar, and even the relatively blue-chip loans owed by Venezuela and Chile Haire fallen from 70 cents to 60 cents

since May.

The market's cold-eyed view of the last market's real value has sporred a growing trade in debt-forequity swaps. Investors buy and then raire discounted debts through the auspices of the debtor government in ex-change for bargain-priced local curren-

"Debt swaps are not a panacea that will cure the debt problem," Prancisco Suarez Davila, Mexico's deputy finance athister, told a group of bankers that gathered here this summer to discuss

Increasingly, the big Latin debtors are arguing that they should not be beroed to pay full commercial interest foreign loans. Interest payments are bsorbing half their foreign income, they note, yet the debts have long since been drastically devalued in the real world of the market.

Argentine's finance minister, Juan Sourroille, a champion of fixed belowmarket interest rates, is trying to perstilde his Brazilian and Mexican countemperts to demand debt relief jointly. Smarting from an election defeat at the hands of the Peronists last month, President Raul Alfonsin's government behieles it can no longer arrors—pour daily or financially — to maintain the final servicing of its \$54 billion debt.

The so-called "Big Three" of the Lat-

am debt scene, Argentina, Brazil, and Mexico together owe creditors some \$265 billion. But the three are and approximation widely divergent strategies, making a common oegonating front difficult. Argentina and Brazil, pinched by shrinking trade surpluses, are defying the fiscal demands of the International Monetary Fund. Mexico, its debt newly rescheduled and suddenly flush with cash, is complying with IMF conditions and basking in creditors' praise. Brazil, the biggest debtor, has unilatercally stopped interest payments and rejested proposals for another massive Mexican-style renegotiation. Argentina and Mexico publicly reject the morato--: rium option.

- Five years have passed since bankers were jolted by the devastating news that Mexico had stopped amortizing its foreign debt, the second biggest in the world. Jesús Silva-Herzog, then the country's finance minister, at the time lelicately termed Mexico's dilemma "a

Since then the cash flow to virtually all of Latin America has ebbed to a trickle of involuntary bank loans and erratically fluctuating export earnings. The crisis has condemned governments to an endless cycle of rescheduling negotiations and pushed per capita in-come back to the levels of 1970.

A few weeks ago, speaking to Mexi-can university students, Mr. Silva-Her-- who left the government last year in a policy dispute — acknowledged that he had erred in viewing Mexico's problem as a temporary li-

City, began demanding radically eased

In the latest of these meetings, the presidents of eight of the largest Latin American debtor nations - Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay and Venezuela — are scheduled to confer in Mexico City in late November. There will be two main items on their agenda: Central America and the foreign debt.

And, as will be noted, the two issues

are not unrelated. The \$17 billion debt owed by the five Central American countries to foreign banks is an under-appreciated aspect of the area's politi-

cal crisis, governments there concur.

Demands for debt relief will be issued from Mexico City, but unified action among the debtors appears un-likely. Already this year Mexico has

Governments have been condemned to an endless cycle of rescheduling negotiations.

said. "It was neither a liquidity problem oor sbort-term, but rather one with deep structural roots in our economy. dar profound structural problems have been acknowledged since then in most of the region's economies. But Mr. Silva-Herzog and other Latin American finance ministers can be understood for seeing the 1982 crisis as a circumstantial difficulty created by an

musual convergence of events. Mexico's troubles, as well as those of Venezuela and Ecuador, began with a 1981 oil price slide that was compensated with new borrowing rather than budget-cutting. Then, in April 1982, the Falklands War erupted, triggering a freeze of Argentine accounts in Lon-

Creditors refused to roll over debts to Brazil, Mexico and other big customers that were once routinely rescheduled. In the past five years, oearly all the commercial funds loaned to Latin America have come as "involuntary" contributions to multiyear rescheduling

The loans were approved largely to custre the continuation of interest payments on previous debts. Latin American leaders, in conferences ranging from Quito to Cartagena to Mexico been visited by the presidents of the three other largest Latin American debtors: Argentina, Brazil and Venezuela. Yet the presidential meetings did not produce any concrete agreements to coordinate debt strategy.

"We have gone as far as we realisti-cally can, given the present complex circumstances, in what are considered the most advanced debt negotiations on the international scene," President Miguel de la Madrid of Mexico said in his annual state of the nation speech on

Sept. 1.
The process of renegotiating the foreign debt has not ended," he added. President Alan Garcia Perez of Peru. who was landed by leftist politicans but scorned in pro-government media as a "demagogue," Peru's unilateral limitation of payments to 10 percent of export earnings was condemned as irrespoosible by Mexicao officials speaking off the record. Latin American officials have direct-

ed their debt complaints toward leaders of the industrialized world, calling for, in Mr. de la Madrid's words, "a sharing of responsibilities between debtors and creditors." So far, they have been disappointed with the response,

If creative new solutions to the debt



crisis should emerge, the precedents will almost certainly be set in Mexico

and Brazil, many experts believe. Mexico's next government is expect-ed to start new rescheduling talks when it takes power in December 1988. Yet many experts say another conventional multiyear, multibillion bailout would be rejected by Mexico and its creditors

"Banks in Tokyo and banks in Europe are simply not going to come up with that kind of money again," a Japa-nese banker said. "We don't like the idea of debt relief, but some kind of new servicing plan is probably inevita-

With Mexico's debts traded internationally at half their face value, some officials say the government should dis-cretely re-purchase its debts through intermediaries or demand interest-rate

concession reflecting the discount. "In the next round of rescheduling we have to find a way to use the secondary market discount to our own financial advantage," one experienced Mexican negotiator argued. "Foreigo investors are profiting from the dis-counts with swaps. The banks and their investors recognize the debts' real market value. We are the only ones who are forced to pretend that they are worth 100 cents on the dollar, and it is costing

In the most innovative renegotiation proposal yet advanced by a major debt-or, Brazil is now demanding the complete elimination of bank profit mar gins and is refusing to seek IMF approval for its economic program.

Most radically, it is also asking banks to voluntarily convert half of the country's \$70 billioo commercial debt into long-term bonds. The 35-year bonds would pay commercial interest and represent 75 percent of the debt's face value -considerably more, negotiators point out, than the 50 percent that Brazilian paper fetches on the second-ary loan market.

Brazilian negotiators have alterna-tively suggested that some loans could be turned into bonds honoring the debts at full value but carrying low fixed interest rates. In addition, to facilitate the cumbersome process of negotiating with more than 600 banks, Brazil is willing to convert debts into "exit bonds" on more favorable terms for bundeds of smaller creditors who eve only tiny shares of the overall

Foreign banks - led by Citicorp, which boosted its cash reserves earlier this year to strengthen its bargaining position with Brazil and other big borrowers - are fighting Brazil's plan.

Debt relief plans would in the long run discourage essential private lendin to Latin America, argue Washington's envoys to the region. "Foreign loans have to meet the same requirements as any other loans that a bank makes," said the U.S. ambassador to Mexico Charles J. Pilliod Jr. "The bank has a responsibility to shareholders. They have to get a return on their investment. The funds that are being supplied to foreign governments come from pen-sion funds and individual investors, not the government. There is oo free lunch in borrowing money."

The solution to the problem, U.S. officials contend, is for sovereign borrower oations to maintain their credit ratings and invest loans more produc-

"I think it is naive to think that large governments are going to reduce their debts to any great extent," Mr. Pilliod said, "That doesn't happen anywhere in the world. What we try do is attain a growth rate that is higher than the debt rate and obtain a better ratio in regard to gross national product."

WILLIAM A. ORME Jr. contributes to The Economist and The Washington Post from Mexico City.

Debtors, Banks Face Pressures

Continued from page 7

may not have been irregularities associ-ated with some of the loans.

In any event, the congressional group said, the economic impact of further restraint designed to allow full payment of interest on the debt was not a politi-cal possibility. Since their visit, the bid price for Brazilian debt has dropped elow 50 percent.

Unlike the Brazilian case, debt restructuring agreements were reached earlier this year between the banks and the Mexican and Argentine governments, the other Latin American coun

tries with very large debts.

However, the example of Brazilian compayment of interest is sparking new calls in those countries for easier terms from their creditors. Recent electoral gains by an opposition party in Argenina has bankers worried that a der for concessions could be in the works.

The banks have a right to be worried. The second quarter additions to loan loss reserves was the major factor in causing losses of nearly \$10 billion at about the 50 largest American banks in the first half of the year.

If Brazil and other major Third World debtors were to obtain a 50 percent write-down in the value of their loans, it could force the U.S. government to bail out the banks, most of which are so large that banking regula-tors feel they could not be allowed to

Even in the short run, the Brazilian example is causing the banks new prob-lems. To offset some of their losses, 2 number of them, including Citibank and Manufacturers Hanover Trust Co., are planning stock offerings, the prospects for which were oot helped by Mr.

resser Pereira's proposal. A number of close observers strongly feel that, one way or another, a portion of the debt will have to be written down and that the banks will have to absorb significant losses. Some of the reasons were highlighted in the annual report of the Inter-American Development Bank leased this month.

The Latin American countries have managed to survive the strains of the five-year-old debt and economic crisis of the 1980s, but in many of them falling living standards have begun to threaten both political and economi development," the report said,

In 1986, it continued, regional gross domestic product rose 3.8 percent, and 1.4 percent on a per capita basis. How-ever, per capita GDP fell in half the countries last year and only three of them — Brazil, Colombia and Panama - had a higher per capita income in

1986 than in 1980. "For 13, GDP per capita was at least 10 percent lower in 1986 than it had been in 1980. In seven, it was more than 15 percent lower, and four of those lost more than 20 per-

The region's trade surplus has gone down as economic growth slowed in industrial nations. With little prospect of more rapid growth in the industrial world, there is no reason to expect that surplus, and the foreign exchange earnings that go with it, to rebound

That means that the only real sour out of which debt service can be paid is a further reduction in domestic consumption and investment. At some point - and some U.S. economists, such as Rudiger Dornbusch of MIT, believe that point has already been reached — sharp cutbacks in invest-ment and declines in real wages will reduce the debtor nations' capacity to produce so that they will be less able to pay their debts rather than more able.

OR EXAMPLE, gross invest-ment, adjusted for inflation, was 30 percent lower in Brazil last year than it was in 1980. In Argentina, it was 52 percent lower, and for the region as a whole it was down 33 per-

If it turns out that the debtor nations as a group are either unable or unwilling to service their debts, then someone will have to record more losses. The large money center banks that hold the bulk of the debt are much more well capitalized than they were in 1982 when the debt crisis struck. Essentially their capital has gone up while their expo-sure has declined.

But part of that decline has come as a result of a virtual absence of new lending, which was supposed to be a key element in Mr. Baker's plan for resolv-ing the debt issue. Under that plan, the debtor nations were supposed to make changes to improve economic efficien-cy while the banks stretched out debt repayment schedules and provided new money to help pay for essential imports. Some of the economic changes have been made, but Reagan administration officials say many more steps

Now that interest rates have begun to rise in the major industrial countries, the burden of debt service in Latin America will be going up, too.

There is no new equivalent of the Baker plan in the works because no one has the occessary resources and willingness to fund it. That, and the econom realities confronting the debtor nations, mean that the debt problem will remain for years to come and that it could flare up again into a full blown financial crisis.

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By Fiametta Rocco

ONDON - When the Organization for African Unity confirmed earlier this year that it was planning a heads of state summit meeting on African debt, Babacar N'Diaye had reason to be well

For this is a subject dear to the Senegalese president of the African Development Bank (ADB), and Mr. N'Diaye has long advocated just such a meeting.

Not only is the summit, which will be held in December, valid proof that African governments are finally showing a hitherto unknown willingness to tackle their debt repayment problems, but it is a measure of bow strong the ADB's voice is becoming on the continent's political-economic stage that the conference is

Established by a group of newly independent African countries in 1963, the ADB has since become Africa's premier source of credit, with 50 African members and a further 25 from the industrialized world. In structure, it is a sort of mini-World Bank that finances development projects in most African countries and offers soft financing to the very poorest among

By the end of last year, the ADB had approved around \$10 billion worth of loans, including \$4 billion in interest-free credits from its soft-loan arm, the African Development Fund (ADF). The fund is financed by contributions from the bank's noo-African nations, and the bank's operations are funded by a mix of capital input from its 75 members and loans raised on the major capital markets where the bank's senior debt enjoys the same blue-chip rating as the World Bank.



Babacar N'Diaye.

With a new capital increase completed last June, the bank that Mr. N'Diaye has headed since 1985 now finally has the muscle to make its voice heard, not only in Africa but outside

In June the ADB tripled its capital to more than \$19 billion, and it expects to double its lending rate for the period 1987-1991 to a total of \$10.2 billion. A replenishment of the ADF, due before the end of this year, should boost lending by another \$7 billion over the same

Lending has already increased dramatically, with a 42 percent increase in 1986 alone. And over the next five years the ADB will become one of the biggest donors to the continent, with only the United States and the World Bank making higher contributions.

Nonetheless, Mr. N'Diave's task in the remaining three years of his presidency is far from over.

His main challenge at the outset was twofold. First, he had to reorganize the bank into a structure that would be strong enough to handle assessing an increasing oumber of projects and their follow-up in 49 different countries -Libya is the only country not to take ADB loans. Second, he had to re-evaluate the nature of the bank's lending to incorporate a greater proportion of economic structural adjustment finance as well as more loans for reconstruction and rehabilitation rather than the simple financing of new projects that had been the bank's only task previously.

The former is now well on the way to completion. A number of oew appointments have been made, including that of the Swiss-American banker Milan Kerno, formerly of Dean Witter Capital Markets, as vice president in charge of finance. Mr. Kerno is the bank's first non-African vice president.

The operations side of the bank, which had come under tremendous pressure as loan vol-umes mushroomed, has been split into three regional sections covering east, west and central Africa. The disbursement of loans, a major bottleneck in the past, is also being speeded up with the establishment of a separate department and a computerized procedure for loan administration, as well as a separate office for evaluating projects while in operation.

The loans disbursement office will also be responsible for debt collection as arrears to the

bank on loans as well as subscriptions have become a major headache. At mid-1987, there were 27 countries to which disbursements and the granting of new loans had been suspended because repayments were more than six months in arrears.

Loan arrears total \$40 million, of which half are accounted for by Liberia. Sierra Leone, Guinea-Bissan, Comoros, Sudan and occasionally Zaire and Congo are also often late payers. And a further \$60 million is owed by the bank's

African members on subscriptions.

The last ADB annual meeting in Cairo in June also saw the endorsement of a new lending program, which, for the first time, approved non-project financings. The concept of funding economic rehabilitation or restructuring programs is not new. It has already been refined both by the IMF and also the World However, for the ADB, it has always re-

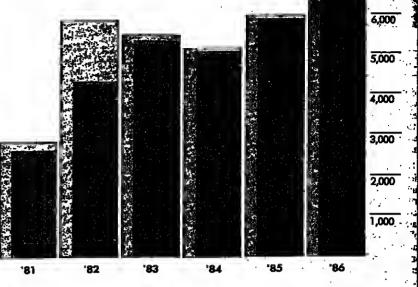
mained a highly charged proposition as it must involve a measure of stick-waving by the bank over its own members. It is very difficult for the ADB to advocate precise economic policies to a group of nations whose politics range from Marxist to rightist military regimes.

Nonetheless, Africa's increasing need for extra funds to strengthen government administration rather than pay for new dams and power lines is oow seen as paramount. And the bank is slowly feeling its way into this less welldefined area of development finance.

The fact that the ADB is considering nonproject finance at all is a measure of the difficulties that many of its members are encrusted in. Only with this kind of financing to improve their general economic machinery will African nations find a way to pay their debts which increased by more than 30 percent between 1982-1986 to \$162 billion.

The African Development Bank: **A Steady Capital Growth**

(in millions of U.S. dollars)



Subscribed copital

Outstanding debt

The debt conference that Mr. N'Diaye has long been calling for will, it is hoped, provide the political impetus necessary to finding a solution to the debt situation.

Authorized capital

And the bank hopes to use the voice it now has in African economic circles first by sponsoring another conference in London early next year that will debate technical ways of

contribution to the continent and improving the quality of its loans to its African member

FLAMETTA ROCCO is a financial journal based in London. She is the author of "African Development Bank: Financing Growth to the 1990s," published in 1986 by MEED Ltd.

Debt Crisis Leads to Major Shift in Lending Policy of World Bank

ADMARCO

By Francesca Carnevale

ONDON - Fundamental changes in the operation of development banking are affecting oot only the type of funds secured by developing countries. They are also affecting the geograpby of the loan portfolio of the foremost development bank, the International Bank for Reconstruction and Development (the World

These changes are oot just affecting the administration of funds; they are also calling into question the overall development strategies pursued by the World Bank and its affiliated regional development banks.

When the concept of development banking was brought into being after Brettoo Woods. the overriding concern of the World Bank's policy makers was the regulation of capital flows to underdeveloped regions.

Proper capital management, it was held, would stimulate development and spur trade. The provision of funds was confined to the support of micro- and macro-infrastructural nance from international banks.

As the difference between rich and poor nations increased between 1950 and 1975, World Bank and development bank lending increasingly concentrated on the provision of funds to support balance of payments finance and large-scale projects, some of which were partly supported by commercial funds as well. The emphasis was still on development rather than wholesale alteration to the structure of developing economies.

Dependence on aid and development funds increased, and still the basic problems of inefficient economic management of less developed economies were oever solved. Something had to change. And given the reticence of donor nations to come to terms with the real problems facing the developing countries in the post oil crisis years, it was inevitable that change would be introduced quietly.

In the mid-1980s, the policy climate within development banking has never been farther from the original intentions of the function of a development bank. The name of the game is oow cootsinment, rather than development,

The root cause of the change is the growing debt crisis. And funding is increasingly being pushed to the private as well as the public

This trend has been moving apace in the last five years as the exposure of the World Bank has increased in some regions, notably Latin America and Africa. It has declined in others, specifically the Asian heartlands and the Far

This alteration is a function of the increasing dependence on locally based development banks, such as the Asian Development Bank, which have assumed the responsibility of pro-viding project finance and services, which were once the exclusive domain of the IBRD.

It is also a result of a growing realization by World Bank policy makers that the bank should play a larger role in debt alleviation through catalytic policy-based lending. But this change cannot hide the fact that the role of the World Bank is contracting as its contribution to net cash flows of developing countries steadily decreases.

Loan approvals have been rising; from \$11.3 billion in 1985 to a likely \$15 billion in 1987. Yet, say World Bank sources, actual disbursements have been static for the past three years. Meanwhile, repayments of existing loans have been rising. Repayments totaled \$3.8 billion in 1986, leaving a oet transfer of \$4.5 billion, which is roughly equivalent to the interest and

fees paid by borrowers to the bank. The growing debt priority of the bank's lending function will, in the interim, mean a decreasing role for the agency in selected regions. The bank is expected to decrease its role in Asia which, relative to Africa and South America, does oot suffer from a significant debt problem. East Asia and the Pacific have historically borrowed on roughly the same level as South America, but in the 1985-1986 financial year the region received \$3.1 billion in loan approvals compared with \$4.5 billion

Case by case studies of the Asian borrowing profile, in fact, illustrate a mixed bag. South Korea, for instance, remains a large borrower although its net disbursements are now small

as it has largely repaid its outstanding loans. Thailand, meanwhile, bas specifically opted

only \$93 million in borrowing in 1986. Malaysia, on the other hand, is moving to increase its borrowings. Although the overall trend may be understandable, it carries the implication that the ability to use funds efficiently for development in specific regions is declining in impor-tance within the bank's scheme of things.

Asian perceptions apart, the most global contribution of the bank is underlined by the fact that its soft-loan affiliate, the International Development Association, is contributing as much to international capital flows as its parent. Last year, IDA disbursements were \$3.5

billion and repayments negligible.
The only part of the World Bank that generates a feeling of optimism is the private-sector and equity-oriented International Finance Corporation (IFC). It is not stepping up its rate of investment but is proving a catalyst to the developing securities market and debt/equity

The bank's policy is ooticeably gearing toward policy rather than project finance. Structural adjustment lending is the most dynamic Thailand, meanwhile, has specifically opted growth area in the bank's activities. In 1986, to reduce its reliance on the World Bank with \$3.1 billion was committed to this form of policy lending, making up 19 percent of the bank's total hard and soft loan commitment worth \$16 billion. Bank officials expect the proportion to rise to well above 30 percent in the next three years.

Structural adjustment loans are designed to meet a nation's foreign exchange expenses during periods of infrastructural change and policy reform; although the bank currently make oo distinction between the macro and the minute of the content of the macro and the minute of the content of th cro level in its lending criteria.

This type of lending differs fundamentally from normal development bank lending!

Loans are not sied to specific projects, they are disbursed quickly (usually between 12 and 24 months), and they are strictly for import purs chases. Most importantly, they are going to heavily indebted countries that otherwise present few export opportunities.

Over the next four years, about \$15 billion worth of World Bank lending is expected to be structural adjustment lending, and the leading recipient of funds is expected to be South America and the Caribbean.

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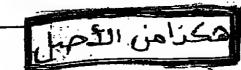
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Arab Banks Weigh Moves Abroad

By Stephen Timewell

for South America.

ONDON — Arab banks are struggling to find oew directions at a time of recession and escalating political tensions in the region.
Stable oil prices this year have belped to brighten prospects but a series of bad loan problems and major structural issues concerning capital, personnel and the overall banking environment continue to plague institutions, both big and

Middle East banks, like many others worldwide, can no longer rely on traditional commerci banking services for survival. Arab banks have been slow to adapt to the rapid pace of change in global financial markets, and in this post oil boom period many institutions appear to have no clear raison d'être.

The staple diet of syndicated loans and trade finance in the 1970s and early 1980s is not enough to sustain the banks into the next decade. In the midst of declining profits, many banks have undergone radical restructur-

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advocated. Investment banking has been the theme of many new policies, but much remains untested and severe doubts exist as to whether some of the institutions have the products and the capacity

to create viable new alternatives. For the bigger banks, which developed their international presence in the 1980s, the question is whether to expand abroad or concentrate on domestic markets. National Bank of Kuwait gener-

al manager, Ibrahim Dabdoub, said: "Changes in banking are now so quick that non-Western banks will find it difficult to cope one constraint is the capital, because the cost of building an international communications network is very expensive. Be-cause of this, we think some Arab banks will retrench to their home markets. These are limited, but there are many problems in international markets as well. So Arab banks should go back to basics

and get them right." Some banks are continuing expansioo abroad. Earlier this month, Babraio-based Arab Banking Corp. (ABC), one of the

ing and new strategies have been largest and most aggressive Arab institutions, bought a 25 percent stake in Union Bank of Bangkok, Thailand's 12th largest commercial bank.

ABC, which is owned jointly by the governments of Kuwait, Libya and the United Arab Emirates, said: "This important minority stake is a key part of ABC's strate-gy of expanding its retail banking The offshore bank has sought to

develop a deposit base through international acquisitions, and the move into Thailand follows the purchase of 70 percent of Banco Atlantico in Spain in 1984 and 75 percent of Hong Kong's Sun Hung Kai Bank (renamed International Bank of Asia) in 1985.

This year two Saudi banks, the National Commercial Bank and the Saudi American Bank (owned 40 percent by Citibank), opened branches in London.

Recently, ABC's main Bahrain rival, Gulf International Bank, took a stake in a Singapore stockbroker, and last year the Parisbased Banque Arabe & Internationale d'Investissement (BAID) concluded its purchase of London stockbroker Sheppards & Chase. While institutions such as ABC

and the Arab-owned Bank of Credit & Commerce International (BCCI) may continue to grow, most others are likely to take a wait and see attitude and consolidate their existing international operations. Without the size and expertise to play a greater role in the global capital markets, the ma-jor Arab banks are likely to sit tight abroad, except in key areas such as Turkey where some joint ventures are expected to be for-

malized by the end of the year.

In the Middle East, the prospects for the offshore banks in Bahrain are grim and little better for the region's domestic banks. In Sandi Arabia, for example, the commercial banks undertook virtually no new lending in 1986 and have done little this year. The weight of bad debts in the corporate sector and the recession has brought the banks to a standstill in Saudi Arabia and in the other states too. The banks have been frustrated by the legal environ-ment as much as by the economic

The inability of the courts; espe-cially in Saudi Arabia, to enforce obligations made to the banks has made a mockery of lending and the banking system generally. While the banking authorities acknowledge the problems, they seem powerless to provide a solution to the interest payments issue in the face of the religious prohibition against interest

In March this year a Sandi royal

decree was made establishing " three-man committee to settle bank disputes under the auspices of the Saudi Arabian Monetary Agency. The move was hailed as significant step forward in bank ing reform, but six months later the committee has not been formed and progress seems unlike ly in the foreseeable future. In the United Arab Emirates, recent leg-islation has helped clarify the ifterest issue for the banks, but throughout the region the lack of a suitable legal environment has sty

mied bank activity. These legal and regulatory issues are also having an important impact on the development of capital markets. Some bankers suggest that Arab banks should more into securitized lending for quality sovereign and corporate risks in the region. The development of stock exchanges in the Gulf has been encouraged, but many legal and accounting questions remain unanswered and the proposed of changes in Saudi Arabia, Bahraia, United Arab Emirates and Omar are still a long way off. ...

The lending crisis in the Gulf bas forced banks to focus on new products and drawn attention to the liabilities side of the balan sheet. Gulf banks are now looking closely at retail banking and developing a greater range of basic cul-tomer services and investment products.

Most banks can now provide variety of investment proposals often linked to Western financia institutions, and through the growth of antomated teller machines and branch networks provide considerably improved care

The key factor in the problem facing Arab banks is personnel. The sophisticated international markets demand a level of expertise that is not readily available. the Gulf and is no longer easy.40

At present, Gulf institutions have reached an important crossroads. Many talk about invest-ment banking but few, except Bahrain's highly successful Arabi-an Investment Banking Corp. (Investcorp), have developed a com-prehensive strategy and have the expertise to be anything other than glorified commercial banks Many banks are being forced to reassess their rationale and only those with a clear purpose and direction are likely to survive.

about financial affairs for the Middle East Economic Digest.

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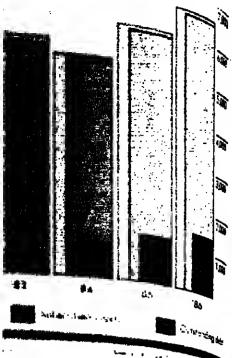
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Climate of Caution

After the Boom, The Hangover

Continued from page 7

and by the Japanese institutional investors. Both began to take insingly short-term, trade-oriented views toward managing their portfolios, adding to the genan volatility of the market.

None of the financial intermediaries, especially the commercial banks, were really prepared for the virtual explosion that has taken place in the international capital markets since 1984, Millions of dollars were spent by the commer-cial banks to build from scratch some capabilities in securities underwriting and trading while the securities houses, investment and merchant banks scrambled to handie the surging volumes and to

Many of the banks were apparently equally unprepared for the swift downturn that followed. Dozens of banks have had to rethink their global pretensions.
Some dropped out of the race altogether, preferring a purely domestic role; others got out of primary market activity and settled for a more active sales and trading role; still others called it quits in trad-

But the element common to the dozens of banks that just a year ago were aspiring to the global big leagues is the growing realization that what may have been possible that what may have been possessing in a bull market is no longer realistic when conditions get turbulent and uncertain. Caution, rather and uncertain. fic when conditions get turbulent and uncertain. Caution, rather than expansion, is the catchword of the late 1980s. In the FRN market, for in-

stance, where many commercial banks sought to make their mark in securities trading, there were 40 houses active during the market's peak around the turn of the year. Now, however, there are effec-

tixely only five houses — all U.S. 11 -12 investment banks - left trading in all sectors of the FRN market. American commercial banks are a very trivial factor in the market now," said William Watt, head of FRN trading for Kidder Peabody.

TREET INVENTORIES, which at one time stood at \$1 billion plus at the big : :: trading houses, quickly shrank once the market got too choppy. Inventories are perhaps a quarter of what they were a year ago. "There is no longer the willing-ness to position inventories," said

Paul Denisson, Metrill Lynch's Paul Denisson, Merrill Lynch's head of FRN trading in London.
"Even if we get bullish again, it would only be a third of its peak."

(Perhaps with even greater potential repercussions to the long-term viability of the Eurobond market, the big-ticket fund man-agers found the market's liquidity amid the turbulence to be wanting and increasingly found the incre liquid, though lower yielding, domestic government bond markets more appealing to their needs. Billions of dollars under their management leaked out of the Eurobond market to the domestic markets, or at least less net

new funds flowed into Eurobonds. Financial houses also found innovative but complicated repackaged paper increasingly difficult to distribute as investors, especial-

ly retail investors, shied away.
"What the issuer called a win-What the issuer called a win-dow, a lot of investors discovered was a tran down? was a trap door," suggested Rndi.
won Eisenstadt-Rothe, who heads asset distribution at Chase Manhattan Bank in London.

The rippling effect of the mar-ket changes has uprooted the tra-ditional lineup among the new is-sue lead managers. Nomura International easily brushed aside market leader Credit Smisse First Boston from its number one rank-

The Japanese securities houses swept four of the top six rankings, kicking a number of American heavyweights such as Merrill Lynch and Swiss stalwarts such as Union Bank of Switzerland and Swiss Bank Corp. into the backwaters of the league tables.
The aspirations of the commer-

cial banks to muscle their way into the upper tiers of underwriting, except for Deutsche, Paribas, Bankers Trust and Morgan Guaranty, look increasingly remote.

The upheavals in the capital markets have also altered the techniques used to launch new debt. The syndicates of banks partici-pating in a new issue have become much smaller, polarizing into two stem of the biggest, most powerful houses, currently dominated by the Japanese securities houses, and the much smaller, regional banks that profess to have a retail

The banks occupying the midde tier of players, where most of the commercial banks lie, are rap-idly being squeezed out of the market Reciprocity, in which the lead manager will cut another house in on a deal, now tends to focus around a smaller circle of powerful co-leads chosen for their ability to distribute a particular kind of paper.

The scores of banks in the middle tier that had participated as co-managers in any case were no Longer so willing to accept invitations to deals. Issues thus have fewer market makers, potentially meaning less liquidity and a nar-rower distribution. For the lead

manager, it means an issue is even

ine syndicate risk now," said David Lough, managing director at County Nat West Investment Bank in London.

Adversary relations and distrust among the financial intermediaries in the primary sector underscores how the definition of success in syndicating a new issue continues to change and broaden.

Success used to mean an issue trading inside its fees during the syndication period. Now, it depends. Losses in syndication may mean profits somewhere else. Many of the American houses, for instance, tend to look at the whole product stream that only begins with launch — a gauntlet to run through - to reach the more profitable activity at the end of the relationship being developed.

"Maybe there will be an M&A deal at the end of the deal," said the head of a London office. A strong secondary market house may come in on a loss-making deal simply to become better informed on where the original bonds are

Bernhardt Gadow, deputy man-ager director of the Long-Term Credit Bank's Investment banking arm in London, noted that the Japanese houses have long looked at the primary league tables as an expensive marketing tool to develop relations with Western corpo-

Dozens of banks have had to rethink their global pretensions.

We just bought \$20 million of your FRN, and we love to do business with you," Mr. Gadow said. "A lot of the Japanese houses are going for tombstone position not just to build league table position, but to have an excuse to see the

The net effect of these differing objections, coupled with the sheer domination of the Japanese secutities houses, has translated into an almost total absence of profitability in underwriting and even lead managing straight debt isthe banks have had to rely increasingly on trading and turnover to cover their overhead. And this year that, too, became immensely difficult.

The only way to ensure a decent return this year has been in picking up a slice of equity deal flow that is surging through the mar-kets. Transborder, Eurocquity offerings, convertibles issues for American corporates, or bonds with equity warrants attached issued by Japanese issuers have heen extremely profitable for houses such as CSFB, Morgan Stanley and the Japanese securities houses that hold the lion's share of the market.

"We are trying to be more in equity instruments," said Takeo Soma, the managing director of DKB International, formerly Dai-Ichi Kangyo Bank International, reflecting a feeling shared by almost every house not already reaping the benefits of being there

OR BORROWERS, the changes wrought in the in-ternational markets and among the financial intermediarics means it can cost so much more now to raise large amounts of debt that the other capital and credit markets, such as syndicated loans, are becoming more attractive.

Borrowers can also straddle both the credit and capital mar-kets by launching a fixed-income issue priced to yield enough above similar maturing U.S. Treasury paper that it is largely "asset swapped" back into the portfolios of commercial banks

Asset swaps, which are simply swap techniques applied to the assheet rather than the liabilities of the borrower, has mushroomed to nearly \$30 billion this year, according to market estimates.

Asset swaps in a way are "re-verse securitization," in that the paper is illiquid and not marked to market every quarter. At least 80 percent of the asset swap paper is finding its way into the portfolios of the commercial banks wholly willing to sacrifice liquidity for a locked-in yield usually a healthy margin over their own cost of

Whether the turbulence in the capital markets this year portends a return to the previous era of "classical" commercial banking dominance of the financial markets is perhaps too far-fetched at this point to suggest.

KEVIN MUEHRING is a London-based contributing editor to In• Mitsui was the first Japanese bank to tailor its international organization to correspond precisely with the realities of today's international markets.

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India, Pakistan: Different Routes

By Richard M. Weintraub

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☐ McName
☐ Swiss Bar

EW DELHI - Forty years after winning independence from Brit-ain, India and Pakistan have developed mixed economies but nationalized banking systems that are subordinate to major social goals. Like much else in these two neighboring South Asian giants, differing social systems have created equally differing in-

If two themes dominate in the subcontinent today, it is India's drive to create a vast rural-based network of banks dedicated to uplifting the poor and Pakistan's shift to Islamic, or non-interest based, banking.

In India's case, the banking revolution is almost 20 years old and is going through a difficult test of credibility. In Pakistan, the shift to Islamic principles is barely under way, having begun only a couple of years ago.

When India's leading banks were national-ized in 1969, they were bunched in urban areas and primarily served the big industrial houses and trade concerns. For the 80 percent of the population that lived in rural areas and made its living off the land, banking consisted of savings in the form of gold bangles and bracelets and recourse to the local moneylender for borrowing at exorbitant rates.

In the decade and a half from June 1969 to September 1985, the total number of branches of commercial banks in the country increased from 8,262 to 52,013, and the average popula-tion per bank office dropped to 13,000 from

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and others who previously had recourse only to the underground moneylender now could turn to the national banks, and usually at concessional rates. Not only were banks required to establish rural branches, but they were required to place 40 percent of their loans in special categories.

We are not bankers, we are arms of the finance ministry," said one Indian banker recently. "Bankers don't have any discretion on who gets loans or even at what interest rate. It is all prescribed." Government officials point with some pride,

however, to estimates that 50 percent of rural loans now being made at low concessional rates, compared to almost 90 percent from moneylenders at rates as high as 100 percent or more annually. In addition, there are more than 22 million borrowers today, compared to only a quarter of a million two decades ago.

Nevertheless, the size of the underground economy remains high - in 1985, it was estimated at \$28.5 billion - and the system clearly has had trouble coming to terms smoothly with its new size and new role.

Put simply, the banks are not getting their money back. The Reserve Bank of India, the central bank, put the recovery rate for rural loans in 1983 at 53.2 percent and that dropped to 51.6 percent a year later, and these were years of good harvests.

More than \$6 billion in rural loans were outstanding in 1985 and this is expected to rise to \$14 billion in 1990. The problem is clearly a major one and is reflected in falling bank

ture in Indian banking are the operations of foreign banks. Since they are limited in the number of branches they can have and are located mainly in major cities, their loan operations are more secure and their merchant banking operations increasingly profitable.

As India tries to get its system under tighter control, Pakistan is trying a new approach; Islamic banking, Publicly at least, bankers and businessmen indicate that they are adjusting to the idea of service charges, markups and profit and loss sharing in place of interest, which is forbidden in Islam.

In its pure form, the modern Islamic banker would be no different from the ancient merchant who bankrolled a caravan of camels, sent it to the desert to sell the goodwand shared in the profits or losses when it came back.

Islam prohibits interest and encourages trade and business. If you seek to 'loan' money, it can't be for more than the principal. If you want to gain, it has to be on a risk basis. If I have a surplus and give it to someone on a predetermined basis, that is interest. If f give it to someone under Islam, I must do it by profit-sharing, and loss-sharing," said a Karachibased official who has had a significant say in the evolution of the new system.

In practice, most banking in Pakistan today is in a "halfway house," between a pure profitloss system and the old interest-based system.

RICHARD M. WEINTRAUB is the New Delhi bureau chief of The Washington Post.

A Mixed Blessing for Lending By Robert Cottrell By Robert Cottrell

ONG KONG — The Asian export boom now entering its third year has transformed many economies in the Pacific region, particularly those of the "four tigers" - South Korea, Taiwan, Hong Kong and Singapore. But for banks active in East Asia, it has been a decidedly mixed blessing.

The region's extraordinary economic advance has raised the quality of loan portfolios nearly across the board. But it has also made new loans more difficult to sell.

It has boosted local stock markets, raising the market capitalizations of listed institutions and making it relatively chesp for them to raise new capital — whether, like the Hongkong and Shanghai Banking Corp., which is now offering \$800 million for full control of Marine Midland Banks Inc., for predatory reasons nr whether, like most Japanese city banks, to meet rising capital ratio obligations.

But it has also hastened the decline of syndicated-loan business available in Asia and the shift toward "securitized" debt evident throughout the world banking system. Many banks in Asia, as a consequence, are now exposed to the challenge of either changing their approach to the region nr abandoning it.

"If you expect to continue running a merchant bank on the basis of traditional tombstone loans, it's going to be difficult," said Kunho Cho, managing director in charge of merchant banking at Citibank International Ltd. "It's not necessarily going to be a smaller field, but it's going to look very different as time goes on.

With Japan now politically determined to stimulate economic growth through domestic demand, Asia's biggest export-boomers have been Taiwan and South Korea. As a result, some bankers' fears in 1983-1984, that South Korea might be emerging as "the next Philippines," too long on debt and too short on net foreign exchange earnings, now look to have been ludicrously misplaced.

With Seoul announcing a balance of trade surplus and starting to pay off its creditors, foreign bankers have started worrying instead about how to replace the lost business. Taiwan, long among Ana's most closely guarded economies, has been forced by sheer weight of retained export earnings to relax its foreign exchange controls on ontward capital flows.

In Singapore and Hong Korg, which serve as entrepôt and service centers as well as direct exporters, banks' domestic portfolios have soured in quality as higher corporate profits and consumer spending have fed through into recovery for both city-states' highly speculative property markets.

Outside the four tigers, bowever, the trend is more mixed. Thailand's profile has grown increasingly tigerish as agriculture has taken second place in its economy to industry. As a result, it, too, is racking up a third year of strong export-led growth and registering its first balance of payments surplus in about two

The Philippines' balance of payments and economic growth figures look strong, but for more fragile reasons: Payments are in surplus, due in large part to heavy inflows of specula-tive foreign capital looking for capital gains from financial assets following the overthrow of former president Ferdinand E. Marcos; economic growth has been assisted by a rescheduling of sovereign debt and a corresponding fall in the projected debt-service ratio.

borrow or their strong balance sheets open up the possibilities of raising money offshore or through securities issues.

In Taiwan, for instance, deposit rates are at an all-time low, and banks are managing to make only I New Taiwan dollars (3.3 cents) for every 2 New Taiwan dollars of new deposits situation less oppressive for foreign banks, which have in the past found it difficult to obtain interbank funding in New Taiwan dol-lars but which now have little or no problem raising money.

In Hong Kong, more or less as soon as the property market turned up in 1984, many big

the top of the global league table of financial institutions by business volume and by stop market capitalization. But for the country's mainstream comment

cial banks, the desire to expand internationally has run up against foreign regulatory pressures. that will probably force the banks either to raise much more capital or seduce their loss

The Japanese banks main problem is a reliance on "latent assets," essentially undervelued boldings of shares and property. A post tion of the market value of these assets can be, used to raise the capital adequacy ratios for domestic regulatory purposes; but they are, viewed more dubiously by overseas banking

The succession of economically strong years has cramped banks' new loan activities in the 'four tigers' of Asia.

borrowers seized the opportunity to raise funds through a new and fast-growing local dollar capital market rather than from their traditional bankers.

As a consequence, the market ballooned in size from 4.8 billion Hong Kong dollars (\$615 million) in 1984 to 26.4 billion Hong Kong dollars last year, though it has slowed dramatically since early summer this year, chiefly because interest rates are rising and a temporary saturation point has been reached.

Hong Kong's capital market growth has tracked a worldwide trend toward securitized borrowing, which effects Asia -as a booming center for syndicated lending in the late 1970s

and early 1980s — particularly strongly.

Between 1982 and 1985, syndicated bank loans worldwide fell from \$100 billion to little nore than a fifth of that amount, according to Bank of England figures, while international bonds and notes soured from \$70 billion to \$160 billion and note issuance facilities expanded from \$5 billion to \$50 billion.

Since the big syndicated loans were largely the province of the Asian merchant banking arms of U.S. and European commercial banks, t is these institutions, rather than indigenous banks, that have been hit hardest by the loan market's evaporation. And it is also mainly foreign institutions, this time from the invest ment banking side of the fence, that have made most of the running in managing securities

"It's a risky scenario, and it may not work for some banks," said Mr. Cho, of Citibank. But it's the only way to compete effectively.'
In most Asian countries, including Japan even big commercial banks have held back from buying investment banking subsidiaries

outright, whether for regulatory reasons or because they doubt their capacity to manage such unfamiliar and risky acquisitions. One important exception has been the

Hongkong and Shanghai Banking Corp., which despite its old-fashioned, liability-driven commercial banking style, bought the London broker James Capel two years ago and has been turning it into one of Asia's most powerful brokerages. Roughly 40 percent of Capel's nomic growth has been assisted by a reschedul-ing of sovereign debt and a corresponding fall in the projected debt-service ratio.

The succession of economically strong years

Japan's big four securities houses — Nomura,

has cramped banks' new loan activities in Asia, Daiwa, Nikko and Yamaichi, raising them to

Using U.S. criteria, Japanese banks typically have equity ratios of 2 percent to 3 percent. U.S. and British regulators would like to see a ratio of 5 percent to 6 percent made an international banking standard.

Japanese banks will respond to the anticipated need for higher capital ratios, analysts in Tokyo believe, by raising more than 1.4 tri yen (\$9.8 billion) in new capital in the cun financial year. The short-term effect may be painful, these analysts say, but in the longer term, forcing Japanese banks to beef up their balance sheets could make them more compentive still in foreign lending.

It's another example of U.S. and Europe interest groups shooting themselves in the

foot," one broking analyst in Tokyo said. With \$1 trillion in foreign assets at the end of 1986, the Japanese banks are only the most extreme example of an Asia that has, by and large, done its borrowing and is now looking to repay loans or to start extending them. The China, which despite high costs and seemin endless political frustrations, remains the

banks' favorite long-term borrowing prospect.

A series of debt forecasts prepared for Chage. Manhattan Bank by Rock Creek Research of Washington, suggests that China's net dent without reserves could range from \$86 billion to \$150 billion by the end of 1995, depending on the economic policies adopted in the integvening period. Rock Creek's middle-range "reform and cautious debt" scenario envisage 1995 debt of \$142 billion, compared with about \$25 billion last year.

"China has shown some lack of financial control over the past three years," said Oliver Greeves, managing director of Chase Manhai tan Asia, which commissioned the Rock Creek study. "But there are clear signs now that it is reverting to a more conservative borrowing

One thing China clearly needs is a better coordinated borrowing policy, Mr. Greeves said, to mix long- and short-term debt mannities and currency exposures. Having made half its 1981-1985 borrowings in yea, by most esti-mates, some of Beijing's planners probably

ROBERT COTTRELL covers China an

Dissent Grows Over Loan Bank

By Francesca Carnevale

ONDON - The cliché "You can't please everyone all of the time" has assumed a particular poignancy for the Asian Development Bank (ADB) this year. Criticism from donor and member countries about the bank's funding and overall management strategies have mounted steadily. Coupled with a decline in the rate of growth of the bank's loan portfolio, the arguments have led some observers to claim that the bank is suffering from an identity crisis.

Governors' meetings in April and July were marked by dissent and hints of contrary pulls on the bank's resources. ADB's president, Masao Fujioka, has consistently rebuffed the trends. He has repeatedly pointed to a growing consensus among the bank's governors and the "friendly identity" of the bank among recipients. But outsiders say the bank will be increasingly challenged by the growing divergent needs of its member committies. The differences between poor ADB mem-bers, such as Indonesia, and the region's fast-

growing economies, such as Hong Kong, South Korea and Taiwan, are widening. Volatile ex-change rates and unreliable trends in commodity prices are hurting members, such as Malay-sia and Thailand. But the export-oriented newly industrialized countries are growing

The Americans have been the most vocifer-ous critics of the bank's methods, and the issue has even been discussed in the U.S. House of

The American argument is based on two premises. First, that public-sector financing does not spur economic growth at the same rate as private-sector financing. Second, that the bank's pool-based lending system does not provide finance at the same competitive rates offered by commercial banks.

The U.S. administration's lever was to slow

down contributions to the development bank's soft loan window, causing a delay in the linked contributions of other donor countries. But while these methods have been introduced with some effect in the World Bank, in which the United States is the major shareholder and dominant donor, it has had limited impact on ADB's management. The U.S. shareholding in the bank is only 16.4 percent; equal to that of

ADB has largely shrugged aff the controversy, but at the same time it has acknowledged a modest increase in private-sector lending. The bank's current lending rate is pegged at 7.1 percent, which bank officials concede is still higher than many commercial loans. But they are quick to counter that the bank is still the main provider of long-term finance in the re-

In addition, the bank's predominantly Japa-nese management has cited the growing trade tensions between the United States and Japan

as the real reason for U.S. concern over ADB's lending strategy and accounting. But lately, equally vociferous criticism from both Australia and Indonesia has left the bank stumped as to how to contain the complaints and mamtain its emphasis on development lending.

Other areas of dissent involve project allocations and the bad management of existing funds. Jamine Haimes, leader of the Australian Democratic Party, for example, has criticized the unfair allocation of project contracts. She has also supported allegations in the Austra-hian Financial Review about the alleged bias against Australian suppliers for a bank-fi-nanced cattle breeding project in Indonesia.

But while the bank's many defenders say most of the attacks have come from countries

The differences between poor members and the region's fast-growing economies are widening.

with particular axes to grind, the dissent has raged not just in donor countries. Increasingly, it is being voiced from recipients.

The bank's lending rose by only 5 percent in

1986, after declining by more than 15 percent in 1985. During 1986, the ADB approved 52 loans for 48 projects in 19 countries. The aver-age loan size was \$38.5 million, a 3.3 percent decrease from the previous year when the average loan amount was \$39.8 million.

Co-financing also declined during the year, falling in \$492 million in 1985. Developing

members have complained about a slowdown in disbursements and have voiced concern that India and China were receiving disproportionate attention for development funds. Although bank officials say that reduced lending was result of lower demand for loans by already

debt-burdened Asian countries, they admit that the bank's portfolio should be larger.

In particular, the 29 developing member countries have demanded that more of the bank's project procurement be sourced from their own domestic suppliers, rather than from

international contractors. With ADB annual commitments totaling about \$20 billion, the issue is far from acade

ic. It has been a recurring topic at ADB annih But amid the controversy, the bank received a fillip from the Japanese governm Japan bas long been keen to increase both support of the bank and regional develops The Export-Import Bank of Japan and Appl signed a framework agreement in June to finance projects in the Asia-Pacific region the der the terms of the agreement, the Japan will provide funds to the bank, which will the mix it with its own resources to provide long

term funds for project sponsors. Despite initial objections from some recip ent countries that the move was a way of increasing Japanese exports to the region, the bank's management stressed that the funds

Interest on the Japanese funds will be at the long-term Japanese prime rate, currently 45 percent. Each loan will have a 20-year materi and carry a grace period of five years. Defunds will go some way to increasing the competitiveness of ADB funds versus comments. financing for selected development project

"We are trying to establish loose criterias commercial banks to come in with ADB provide funds," bank officials say. But perhaps more important than the publicized failings and new strategies of the bank is the issue of its role in the Asian region. The reasons for the bank's slow growth appear entrenched. The current management struture looks set to stay for at least another three years, and traditional heavy borrowers such as South Korea and Taiwan no longer need ADB

Those countries that need the bank's funds are not in a position to receive them with impunity. Indonesia and the Philippines are laboring under already heavy debt burdens and stagnant commodity earnings that make borrowing difficult.

Nevertheless, an active threat to the bank's role stems from the very initiatives used by less developed members to attract funds at cheaps

rates outside ADB. Indonesia, for example, has used its initia tive to capture funds in the shrinking project finance market by forcing contractors to provide commercial finance at preferential terms under Presidential Instruction Number 2. While Indonesia can attract 25- to 30-year funds at 3 percent for infrastructural projects. ADB will come under increasing pressure it

revise its interest rate structure. Possible strategies for the bank's policy makers will be a renewed commitment to put vide funds for projects creating noncommodity exports. It is clear that the bank will have to learn to anticipate rather than react to events in the region.

FRANCESCA CARNEVALE is a staff with for Euromoney's Trade Finance

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Mark the my ONG KONG — In line with China's efforts to spur private initiative and decentralize economic decisions, the challenge คราว ประชาการทำ mer erfektelen fan. a a restitutivation for the banking system is to provide more diverse forms of credit to private as well as f gronith ban in a see terreteera acabann. g diverse forms or credit to private a slice attention of credit more in line with market forces and to allocate credit more in line with market forces and the dictates of central يئي الخاصيقي والأها Sirena e diameters frame Parkers to the Lie state-owned usings have commercial monopoly challenged by new commercial monopoly challenged by new commercial STANDS V 15

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Speed of a water r Loan Bank

for Lendin Singapore Holds Fast In Asian Dollar Market have actually led to a spurt in the ams of shore deposits held in Singapor of shore deposits held in

INGAPORE — Attempts by Singapore to transform itself into a world-class financial center have had mixed results in many fields, but the one role in which it has always excelled has been that as the funding center

Total Control of the This city-state of less than three million people is now home to \$214 billion in Asia dellar deposits, known as Asian Currency Units, or ACUs. ACUs are usually U.S. deflars, but also include the other major carrencies held offshore in Singapore.

When the former deputy prime minister of Singapore, Do Goh Keng Swee, initiated the Asian dollar market less than two decades ago, in 1968, it had deposits that totaled merely \$30 million. It took a full three years for the Asian dollar market to cross the billion dollar mark. But by 1983 the amount had increased a hundredfold to

Fears that the opening up of the Tokyo market would have an adverse impact on Singapore's financial markets have proven infounded, especially in the case of the Asian dollar market. The moves by Tokyo

By Robert Cottrell

less according to the dictates of central

credit cooperatives and securities markets, all of which aim to mobilize fast-rising

domestic savings and lend profitably to

expanding urban and rural businesses.

In Beijing alone, 10 privately run credit
cooperatives have been established within

the key to business success in China.

The question is no longer a matter of firew policies, but of implementation," said

Fim Williams, group adviser for mainland

the past year. Between them, they now

account for more than 200 million renminbi

Foreign bankers view this pace of change

as essential to an expanded role for them-

selves on the mainland. But most continue

to view high-cost offices in Beijing as less a

metter of substantial business than of

gianxi, or personal relationships, which are

As a consequence, the country's four big

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last year the Asian dollar market in Singapore grew at an annual rate of 21.3 percent to touch the \$200 billion mark.

Japanese banks are now among the biggest players in Singapore's Asian dollar market as they find the regulatory environment easier than Tokyo, which has been newly — and only —partly regulated.

Most of the Asian dollar funds are held by the interbank market. Last year, for example, interbank deposits totaled \$158.8

billion and loans to nonbank institutions amounted to only \$29.1 billion. So impressive has been the growth of Singapore's Asian dollar market that the total assets of this market are now about six times the assets held in Singapore's domes-tic banking sector. And 181 financial institutions, including merchant banks, now participate in the Asian dollar market. in 1986, the total assets and liabilities of

the domestic banking system in Singapore grew by 9 percent to \$76.8 billion, whereas the Asian dollar market grew by 21.3 per-cent in the same year. In 1985, the domestic sector grew by 7 percent; the Asian dollar While the Asian dollar market has sucThe Boom of the Asian Dollar Market Total assets/liabilities in billions of U.S. dollars

ceeded in projecting Singapore into the international league, Singapore now needs more than Asian dollars if it is to continue to move into the front rank of the financial

Fields such as fund management and syndication of loans are considered "high value-added" items, and so far at least Hong Kong has had higher growth than Singapore in these fields.

The funds in the Asian dollar market are just "raw material" that is recycled to the more sophisticated financial centers. As

to those who sell the finished products, not those who supply the raw materials. Having succeeded so well in the Asian dollar market in the past two decades, Sin-

gapore now has to look beyond acting as a mere funding center in its quest for a great-er share of the increasingly global financial pie. However, the \$210 billion already accumulated in Singapore's Asian dollar market can serve as a foundation for its efforts to garner the higher value-added activities within its shores.

NARAYAN BALAKRISHNAN is a Sinsapore-based financial insernalist

China's Financial Reform Hinges on Diversity

The challenge for the banking system is to provide more diverse

forms of credit to private as well as state-owned enterprises.

affairs for Schroders Asia Ltd. "But if you're thinking of a big bonanza for foreign banks, that's some way down the road." Proliferating private enterprises constitute a new customer base quite alien to the big banks' traditional dependence on big state-run customers. In effect, the system has been forced to adapt to an increasingly

prosperous rural population that is accumulating savings on which it seeks a competitive return. In the first six months of this year, for instance, rural savings deposits grew by 21.3 percent to more than 124 billion renminbi. Interbank money markets, set up only last year to enable funds to be reallocated between bank branches with depositto-loan imbalances, boasted outstanding

loans of 30 billion renminbi by August of

With all major political restrictions on its

international borrowings now lifted, China is viewed by foreign lenders as one of the

world's best sovereign risks. Finance Minister Wang Bingqian fore-casts that foreign borrowing will rise from 7.87 billion renminbi in 1986 to 14.8 billion in 1987, Most Western estimates put China's external debt at \$22 billion to \$25 billion; with at least 1,700 enterprises now borrowing overseas, no precise consolidat-ed figure is available.

The job of overseeing the financial system's development belongs to the People's Bank of China, which, as the central bank, manages China's monetary affairs, regu-lates other banks and implements credit

It supervises four main commercial banking units with distinct functions: the Industrial and Commercial Bank, which makes short- and medium-term loans to

industrial borrowers; the Agricultural Bank, which lends to farmers and rural industries; the People's Construction Bank which provides long-term funding for capi-tal projects, and the Bank of China, for foreign exchange and international busi-

The capital markets established in Beijing Shanghai, Wuhan and other provincial cities have primarily dealt in interbank lending, though Shenyang, in particular, has created a thriving bond market, allowing enterprises to borrow money directly from individuals, with a bank mediating only as a selling agent for bonds.

By the end of last year, according to a Beijing news report, joint-stock companies in China had raised 6 billion renminbi in capital through securities issues.

Most daringly, "stock markets" in Beijing and Shanghai have announced trading of shares in local enterprises, though in reality these markets are no more than sales desks in local banks, at which shares are bought but not traded.

The most powerful "new generation" in-stitution is the China International Trust and investment Corp. (Citic). Essentially an investment bank, Citic has grown from experimental status five years ago into a powerful institution, owning Beijing's tallest skyscraper, providing equity and loan finance to joint ventures and taking an increasingly prominent role in Hong Kong.

Liberalization Brings Rapid Changes in Japan

Assets of corporations and individuals have doubled and trebled in 10 years

Special to the IHT

OKYO - Imagine a poor farmer who manages the local cooperative fund sud-denly finding himself trading futures options, juggling interest rate swaps and advising major corporations how to place their funds

That is precisely what is happening to Japan's banking industry. The speed of internationalization and liberalization of the Japanese financial markets has created a banking industry in rapid transition. Helping drive this change has been the explosion

in assets held by corporations and individuals, which in 10 years have doubled and trebled. Japanese and foreign bankers and industry analysts predict two main results. First, that Japan's biggest banks will become even more dominant in the world financial scene than they are now.

Second, that within Japan banking will and must restructure itself into a much more service-oriented. broader-based industry. In the process, some of the smaller, or less profitable, banks may go under or merge with their bigger brothers. Sumitomo Bank's recent takeover of the troubled Heiwa Sogo bank offered a sign of things to come.

The well-defined divisions that characterized the

Japanese banking industry of the past, giving each type of bank an area of jealously guarded business at underwrote its continued profitability, are van-

At the heart of this dissolution is the deregulation of interest rates, which, in turn, is a major part of the government's effort to turn the yen into a true international currency. Most bankers agree that, although the original impetus for this came through pressure from abroad, the process has reached a critical stage and is running almost under its own momentum, By the end of this year, rates on all deposits above

10 million yen (\$70,000) should be deregulated. This will mean that only the mass of individual depositors will fall within the regulated bracket. Moreover, even for the small saver, the days of the almost sacred taxfree nest-egg at the nation's huge postal office system are numbered. The favored post office has long been a drain on bank deposits. Competition for deposits has thus eroded the old

guaranteed profit margins where each bank could borrow cheap and lend more expensive money. The impetus has been to look for any area of profit that does not involve pure lending, which was the raison d'être of most forms of Japanese banking during the long years of industrial reconstruction and growth.

Foreign exchange, securities dealing, credit cards,

investment advice and all bank services have prolifer-

another hallowed tradition is breaking down.

The main business of a bank and a securities house has been strictly divided along the lines of the U.S. Glass-Steagall Act. It still is, but the banks are furious that, through a generous interpretation of the ownership rule, many foreign bank branches in Japan now have their securities divisions attached.

A dialogue between the two Japanese industries is urgently required. The securities houses, however, are most reluctant to begin it. The banks say this is due to reluctance by the smaller houses to open themselves to fierce competition from the big banks, which they

Foreign banks in Japan, just like their domestic cousins, will survive and profit from the changes. Some have decided to go the universal bank route and offer all things to all customers. Others have decided to develop a niche and try to keep it.

Most foreign bankers, however, remain deeply frustrated by the still highly regulated short-term markets in Japan. With no large deposit base in Japan, all foreign banks must raise their funds from the capital markets. They complain of a combination of heart Peak of Japan control as authors demand of heavy Bank of Japan control, an outdated demand that all short-term money should be collateralized whether the borrower is a top flight bank or a local institution, and an impenetrable system of effective interest rate control and lending quotas through the existing broker system.

Consequently, they say, they are forced to raise much of the yen they need at spreads critically higher than their Japanese competition.

At the top of the new banking pyramid that is being created will be most of the 13 huge city banks, and the three big long-term credit banks. But do not be fooled by the apparent sophistication and international exposure already presented by Japan's big-

Dai-Ichi Kangyo, Sumitomo, Fuji, Mitsubishi and the other blue-chip banks may be the biggest in the world, thanks to the power of the yen, but their top executives will freely admit that they are still in the process of honing banking skills that less than 10 years ago were quite simply not required in the then conservative financial markets. This lack of skills in the new banking areas is reaching a crisis point in Tokyo, A good Japanese

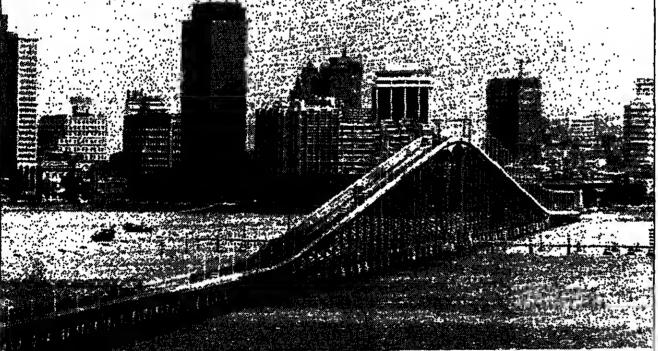
foreign exchange dealer, one who can sit at his desk and be relied upon to take his own position in several currencies apart from the yen-dollar, and then run it, is worth his weight in gold. Beneath the big names are the 64 regional banks. Of these, 53 are rated among the world's top 500 banks. They, too, are moving overseas. The seven

trust banks have their own special area and are perhaps best placed to take advantage of further deregulation in the securities side. Perhaps the most vulnerable banks are the mutual loans and savings banks, known as the Sogo banks, which rely on personal deposits but have neither the local contacts that the small credit and cooperative savings groups at the bottom of the scale have, nor

the demise of Heiwa Sogo. Back at the top, international exposure has brought new problems. The city banks and the longterm banks have an estimated \$30 billion exposure to the developing world and \$10 billion of high-risk

the economies of scale that big banks enjoy. Hence,

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By Mark Jones

ONDON — With the Japanese yen's sharp rise against the U.S. dollar capped by February's Louvre accord to stabilize the major exchange rates, the United States has turned its attention to other Asian currencies. That is particularly worrying for the export-dependent economies of the region's newly industrialized countries (NICs) - South Korea, Taiwan, Hong Kong

The threat of trade barriers has already forced South Korea and Taiwan to abandon their dollar pegs. Now officials in Hong Kong and Singapore are battling to preserve their

As the authorities in South Korea struggle to contain the growing political demands of their once-silent unions, monetary officials have conceded defeat in their battle against won appreciation. The Korean unit, up just 3.3 percent in 1986 to 860 to the dollar, has already risen 5 percent this year.

South Korean officials, who believe Washington is unsympathetic to Korea's need for trade surpluses to pay off the debt run up in the course of industrialization, asked the International Monetary Fund in June to adjudicate. Details of the IMFs advice have not been publicized, but Korean officials have stopped giving assurances that the won will be held

above 800 to the dollar this year. Instead, Economic Planning Minister Chung In-Yong now aims to hold the currency to an average of 800 this year, suggesting a rate of 760 by the end of 1987.

With Taiwan's \$62 billion in foreign exchange reserves second only to Japan's and its current account surplus now at 20 percent of gross domestic product, compared with Korea's 2.5 percent, Taipei has been under severe pressure to revalue. Last year, the New Taiwanese dollar, which was held close to 40 to the dollar from 1982-1985, appreciated about 11 dollar from 1982-1985, appreciated about 11 percent against the U.S. currency and is already up 17 percent this year.

Taipei cut at a stroke nearly 40 years' worth of foreign exchange controls in July. That has held the Taiwanese currency above the 30 to the dollar that Economy Minister Lee Ta-hai aims to safeguard this year. His stance reflects pressure from a vocal small-firms lobby that prophesies widespread bankruptcy if further reciation of the Taiwan dollar is permitted.

However, economic statistics belie the lobbyists' case: The January-July trade surplus with the United States reached \$9.36 billion, compared with \$7.47 billion a year earlier, while in August the government increased its 1987 GDP growth forecast from 9.1 percent to 10.6 percent. Against that backdrop, local bankers consider a year-end rate of 28 New Taiwan dollars to the dollar increasingly likely.

Taipei has been under severe pressure to revalue.

Pressure on Hong Kong to adjust its currency has been less consistent than the demands on Taiwan. In June, the U.S. trade representative, Clayton Yeutter, cleared the air by saying, "We're more concerned about exchange rela-tionships with many of our other trading partners." But Mr. Yeutter later added that, in the medium term, Hong Kong should ensure that its dollar is adjusted to restore trade equilibrium with the United States. That advice, coupled with the warning from the government's latest half-yearly report that strong investment and export growth threaten to increase inflation, has reignited fears of a revaluation of the Hong Kong dollar.

Nevertheless, Hong Kong officials say that the peg of \$7.80 to the dollar serves a political

rather than an economic role. With nervous-ness rising ahead of 1997's reintegration with China, a firm U.S. dollar peg will limit the impact of political uncertainty.

Until now, Singapore has largely escaped the attention of U.S. trade hawks. This is the result of a recession that left last year's GDP up just 1.8 percent year-on-year compared with 8 to 12 percent in the other NICs.

Exports, buoyed by electronics shipments to the United States (up 49 percent in July, com-pared with \$1.35 billion a year earlier), have hit a record. But Washington's calls for a revaluation of the Singapore dollar have been deflected by Singapore's argument that, with 40 percent of U.S.-destined exports used as components in the United States' own exports, revaluation would worsen U.S. competitive ness. Such reasoning will not impress the U.S. Congress, whose focus is on the growing bilateral trade delicit (\$3.2 billion last year, against \$1.8 billion in 1985). The Singapore dollar's eight-year-old peg of 2.15 to the dollar is, therefore, expected to give way next year.

Pressure on other Southeast Asian currencies has been on the downside, with the exception of Thailand. Compared with Singapore, Thailand has weathered the 1980s quite well the Bank of Thailand recently revised upward its estimate for 1987 GDP growth to between 5 percent and 5.6 percent from the original pro-jection of 5 percent and last year's 3.8 percent. the buoyancy of manufactured exports (in the first half of 1987, they rose 18.3 percent year-

While Korea and Singapore have abandoned their U.S. dollar links, China has taken a leaf out of Hong Kong's book and adopted an informal U.S. dollar peg — since July last year, the renminbi has been held at 3.71 to the dollar. Continued dollar weakness has, nevertheless, maintained the growth of exports, and June's trade figures marked the end of three years of deficits. However, the surge in exports partly reflects textile shipments to the United States. These are approaching their quota ceilings, which points to a return to an export-

boosting crawling peg devaluation next year.

Another informal dollar peg whose days are
numbered is that of the Philippines peso. The
political uncertainty that dolls President Corazon C. Aquino's nascent democracy has over-shadowed peso stability. In July, the central bank was even forced to buy U.S. dollars to prevent the peso from appreciating through its nine-month-old level of 20.5 to the dollar.

Nevertheless, higher oil prices mean that the trade deficit is still widening (it was \$354 million in the first half of this year, compared with the year-earlier \$191 million); prompting the Center for Research and Communications, a Manila think tank, to label the fixed exchange rate "romantic and absurd."

The two main oil-producing nations in the region — Malaysia and Indonesia — both suffer from the volatility of world energy prices. However, the absence of foreign exchange controls in Indonesia has presented Jakarta with the bigger currency manager

Recurrent bouts of speculation against the rupiah have prompted an overhaul of Indonsian monetary control. Since July, central bank purchases and redemptions of short-term pa-per have been determined daily. This allows the authorities to rein in liquidity when, as in May and June, there is speculation against the rupiah. Previously, long-term targets for ris-issues were set and Bank Indonesia would buy or sell whatever the market wanted on a daily basis. The government's commitment to trade, weighted rupiah stability reflects the belief that a devaluation would serve only to increase inflation and debt servicing, which is set to reach 41 percent of exports this year, compared with 37 percent in 1086 with 37 percent in 1986.

Speculation against Malaysia's ringgit pre-vented the government from using monetary expansion last year to combat the recession: But since October, capital inflows have re-sumed on the belief that the recession is over

MARK JONES is the assistant editor of Euro money Treasury Report.

EC Endorses Measures to Shore Up EMS

Package allows intervention before limits are reached

By Ken Ferris

ONDON - The European Monetary System (EMS) is entering a new phase in its development as a result Jacques Delors, president of the European Community Commission. As the 1992 deadline approaches for the phasing out of all EC exchange controls under the so-called Delors Plan, member countries are slowly realizing the magnitude of the task ahead as efforts to strengthen the system's Exchange Rate Mechanism (ERM) gather pace.

The decision by EC officials at a meeting in Nyborg. Denmark, earlier this month to endorse a package of measures to shore up the EMS paves the way for co-ordinated intramarginal intervention before currencies reach their EMS limits and more active use of interest rates to preserve the stability of the system. It also sent ont a clear signal that the next step in the liberalization process will be more complex and challenging than the first-stage proposals already being implemented.

The initial measures, approved last Decem-reserves to defend the domestic currency. More immediate decision.

ber, required the removal of controls on long-term credit, unlisted securities and unit trust trading, and dealing on Community stock ex-changes. Mr. Delors has now moved on to the more ambitious second stage in his quest to transform the EC into a free market by outlining proposals that aim to liberalize both commercial and private transactions, including saving and borrowing across national frontiers. The phasing out of existing restrictions on capital movements could not be introduced without a substantial reinforcement of the

The Nyborg agreement to bolster the func-tioning of the ERM included strong support for the surveillance of member countries' economic indicators, which is currently being un-dertaken by the EC monetary committee. Monitoring of these indicators is designed to alert member countries to the difficulties that may arise if they pursue a particular economic policy course.

The decision to strengthen EMS stability through increased use of intervention before currencies reach their trading limits under the ERM is a significant move. Previously, member countries' central banks were only required to step in when a partner's currency reached its maximum divergence limit against the Europe-an Currency Unit (ECU) — the EC's common currency. The latest accord means officials are more likely to take action before that point is Nevertheless, intervention will be limited to

an amount not greater than double the debtor country's quota for short-term credits and the ties want to see the dual exchange rate phased

significantly, the agreement relies on good will and does not provide for automatic intramerginal intervention. Indeed, Mr. Karl-Otto Pohl, president of the West German Bundesbank, the central bank, has made it clear that "the main precondition" of the accord is that it does not threaten price stability in West Ger-

A number of EC countries still have a long way to go before they comply with the stage two proposals put forward under the Deloca Plan. However, there are signs of progress as most EMS member states draw up timetables for the gradual phasing out of exchange con-

For example, Luxembourg's monetary asso-ciation with Belgium has saddled the Grand Duchy with a two-tier exchange rate that differentiates between flows of capital and goods. But the current trend toward exchange control liberalization in the EC has sparked hopes that the dual system may soon be abolished

"The dual rate system must be abolished by 1992 in line with European Community direc tives on the free movement of capital," said Dirk de Bakker, a spokesman at the Belgian Finance Ministry, "However, it may well be unified much sooner than that."

The differential between the free and official exchange markets is now close to zero com-pared to a peak of 16 percent in April 1982. That has encouraged some bankers to believe the two-tier rate will be dismanuled as early as October 1987.

But while the Belgian-Luxembourg authoriborrower may be asked to make use of its own out eventually, they are in no hurry to make an

Pierre Jaans, head of the Luxembourg Mon-etary Institute, which is comparable to a central bank, said the two-tier rate will "definitely not be abolished this year. The position of our two governments is that we will stick to the mechanism as long as we feel it is necessary."

Luxembourg wants exchange restrictions removed, but will only agree to a unified market there is a guarantee that controls will not subsequently be reintroduced. Pressure for restrictions could arise if the Belgian-Luxembourg franc came under speculative attack on the foreign exchange markets.

Luxembourg's position as a major offshore banking center demands a favorable legal framework, including banking secrecy, a generous fiscal environment and a stable financial climate. The Grand Duchy sees the financial franc as a kind of pressure valve that ensures that capital controls will not be introduced.

However, given the move toward liberalizing EC exchange controls, Belgium would be un-likely to resort to financial controls on capital movements to relieve pressure on a unified exchange rate.

The European Commission and other member countries think it would be a good idea if the Imancial franc joined the convertible franc in the EMS," said a spokesman for the EC. "It would make the EMS more creditable and strengthen monetary stability in Eu-

The Commission recently examined the structure of the two-tier system as part of its efforts to guide EC member countries toward complete freedom of capital in the EC. It established that payment transfers for tourist and travel expenditure through travel agencies or credit cards are processed through the finan-

cial rather than the commercial rate. That contravenes the EC principle that a single exchange rate should apply to current transactions, that is, those fully liberalized under EC law. However, the Commission decided that, because of the otherwise liberal nature of the system, no immediate action would be taken. The two-tier structure is specially allowed to exist in legal terms according to EC

Nevertheless, the distinction between the two rates must be removed by 1992 to comply with the spirit, if not the letter, of the plan put forward by Mr. Delors to liberalize all EC exchange controls. The commission is now in close contact with the Belgian-Luxembourg authorities to monitor progress toward unify-

ing the rate.
Roland Leuschel, an economist at Banque Bruxelles Lambert, believes it is imperative that the two-tier system be abolished. He points out that the Belgian and Luxembourg francs are both part of the ECU and that the dual exchange rate stands in the way of more

Jacques Delors, president of the European Community Commission.

widespread development of the EC's common

"It makes no sense to maintain the system when the financial/commercial rate differential is less than half a percent," said Mr. Leuschel. "It complicates things when you have to tell potential foreign investors that there is a two-tier system and then explain how it

Belgium and Luxembourg have to maintain the spot rate between their two currencies and those of other EMS members within 2.25 percent either side of bilateral central rates. The Luxembourg franc's link to its Belgian counterpart means the currency takes its cue from the performance of Belgium's economy.

The franc's current stability in the EMS, particularly against the Deutsche mark, has enabled Brussels to ease the discount rate from 8.5 percent in January to 7.25 percent following the latest cut on July 22. There is no mechanical link between interest rates in the two countries and rates in Luxembourg have

historically been below those of its larger neighbor. But the reductions in Belgium do provide the scope for lower interest rates in the Grand Duchy.

Economic fundamentals have also moved in favor of the Belgian-Luxembourg currency. Inflation in Belgium fell from 8.4 percent in 1982 to last year's 1.8 percent and should be close to 1.5 percent this year (1 percent in Luxembourg) according to the Organization for Economic Cooperation and Development (OECD). That would mean an inflation differ-

(OECD). that would mean an initiation differential with West Germany of just 0.5 percent against the 2.7 percent registered in 1986.

Nevertheless, if the dollar's recent decline against the Deutsche mark continues, intra-EMS strains will begin to surface. That could force the National Bank of Belgium, which holds foreign exchange reserves for Belgium and Luxembourg, to defend the franc by using its reserves or raising interest rates.

KEN FERRIS is editor of Euromoney Treasury

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RUSSELS — "The ECU has come of age!" triumphantly an-nounced André Swings of Kredietbank. A general manager at Krediet-bank, the No. 3 Belgian bank that is the standard-bearer of the Flemish business community, Mr. Swings is one of the most enthusiastic of those preaching the virtues of the ECU, or European Currency Unit.

By Giles Merritt

"More and more people are pricing goods and services in ECUs," said Mr. Swings. "We will continue to replace deals that used to be made in national currencies with ones denomi-nated in the ECU. And the time must come when the ECU will be redefined; it will no longer be a basket of currencies but the nation-

al currency of the Enropean Community." The ECU is pushing aside national curren-cies as the unit that more and more investors and corporate treasurers prefer because of its stability and the way it smooths out the problems of exchange rate fluctuations. Now almost nine years old, the ECU has come a long way since it was first launched as the transactions unit for settling inter-government accounts within the European Monetary System

From its small beginnings as a technical device for use by Europe's central bankers, the device for use by Europe's central bankers, the
ECU has become a Eurocurrency in its own
right. It is now the fifth most popular denomination for bond issues on the Euromarkets,
ranking behind the U.S. dollar, the Deutsche
mark the Swiss Irancand the Japanese yen. To
celebrate its growing maturity, the Europeminded Belgian government this year started
to mint ECU coins.

More than 350 European backs provide a

More than 350 European banks provide a full range of financial services denominated in ECUs, and the total number of banks that are active in the ECU market is put at over 1,000 banks in 30 countries. As well as being a basket of EMS currencies that is used for sophisticated financial operations, like syndicated loans, certificates of deposit, Eurobonds, futures and options, the ECU is also becoming a recogniz-

able currency.
In 1985, Thomas Cook in Britain, together

with Société du Cheque de Voyage in France, introduced ECU-denominated travelers' checks. And Thomas Cook has reported a growing demand for them. The checks protect the traveler against the effects of gyrating cur-

In summing up the outlook for the ECU travelers' check, Thomas Cook has forecast: "All signs are that within five years it will become an internationally accepted means of payment, second only to the U.S. dollar." More importantly, the ECU has become an increasingly popular settlements currency for

the invoicing and payment of international import-export deals since the seesawing dollar has lost much of its attraction to businessmen as the best currency in which to denominate international trade. In Italy, where currency regulations limit the

use that exporters and importers can make of the Italian lira, as much as 25 percent of the country's foreign trade is billed in ECUs. Broadly speaking, the ECU's runaway

growth as a new financial instrument has stabi-lized this year. Instead, the ECU has been developing fastest in the political arena as European countries have made significant advances in accepting it. In mid-1987, the Deutsche Bundesbank fi-

nally dropped its long-held ban on the right of West German residents to hold ECU accounts. The Frankfurt-based central bank had until then argued that allowing private use of the ECU contravened West Germany's law against indexed liabilities, in which debts contracted in other currencies were payable in Deutsche

Bowing to political pressures and at the same time publicly acknowledging that France and Italy had both reduced their capital controls, the Bundesbank said that West German residents could in the future hold private ECU accounts there. Soon after that, the Spanish government lifted its remaining restrictions and granted full recognition of the ECU.

The two decisions cleared away some of the major obstacles to the ECU's wider use, as well as its eventual role as the single currency of the European Community. That, at any rate, is the declared aim of the Paris-based ECU Banking

ECU Widens Appeal as Stable Unit

Association, which groups the banks most in-volved in popularizing the ECU.

The president of the ECU Banking Association, Dominique Rambure, who is Europea director of the Istituto Bancario San Paolo di Torino, commented that the ECU is now in the second phase of its development. The first phase, he believes, was when it underwent remarkable growth as a denominator for new bond issues. Its second phase is as an instru-ment for international trade and for corporate

"But the corporate community is not a cohesive as the Eurobond market," said left Rambure when he pointed out that it is not possible to convince company treasurers "en masse" of the benefits of using the ECU.

Last year, bond market activity in the ECU slowed in relation to the hectic 250 percent rate of growth of 1985. Instead of the 138 ECU bond issues reached in 1985, there were 85 in 1986 and 32 new issues in the first quarter of this year. Activity on the ECU syndicated loss

market also quieted down. Mr. Swings said that the ECU slowdown is nothing to be alarmed about. "The rate of growth in the ECU market is not as steep as it used to be, and that's only natural," he said. But he added that in relation to other currencies, there is still comparatively fast growth for the ECU in domestic bond issues and the

The future of the ECU, however, appears to be closely linked to companies' use of the Eurocurrency as the basis for their foreign

Jacques-Henri David, a senior executive at the French multinational Saint-Gobain Post a Mousson, which uses the ECU extensively in both its internal and external transact summed up the situation: "The use of the ECU as an independent currency has been vary profitable for Saint-Gobam ... European corporations need their own currency, as American and Japanese firms already have respectively the U.S. dollar and the yen."

GILES MERRITT is a journalist based in

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Global Manager

Hedging Hones Earnings Edge

Small companies buck currency swings

By Janet Porter

ONDON - A British rock hand that toured the United States recently was able to make more money than on a previous visit, even though the group's dollar earnings were down and the U.S. currency was weaker against the pound. It may not do their image much good or go down too well with their fans, but members of the group were able to return home better off due to some judicious hedging advice from

As the range of financial instruments grows almost daily and world markets move toward 24-hour trading, the management of currency and interest rate risks is becoming feasible for

many more customers. Multinational corporations with huge exposures are no longer the only ones that can afford to huy protection against exchange or interest rate movements. As the marketplace becomes more efficient and more sophisticated, the size of viable transactions is shrinking, and is likely to become even smaller as new products are developed and hedging skills are refined with the help of new technology and

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During the past six years, the major curren-cies have moved by an average of 23 percent a

year against each other and, during the particularly volatile market conditions witnessed in 1985, the dollar/sterling exchange rate swung from a high of \$1.4960 down to \$1.0350, a 44.5 percent fluctuation.

The dollar has declined by 45 percent against the Deutsche mark and the Japanese yen over the past 18 months. During the first four months of this year, the U.S. currency fell against the Japanese yen from 158.00 yen to an all-time low 137.25 yen in April.

As the former airline chief, Sir Freddie Lak-

er, found out to his cost, failure to insure against currency movements can be disastrous. He was driven out of husiness five years ago not because he could not fill his aircraft but largely because he neglected to hedge his huge dollar borrowings and then came horribly unstuck when sterling depreciated sharply against the U.S. currency.
"Exchange rate or interest rate movements

no longer need be regarded as an act of God," said Graham Steward, assistant director, foreign exchange treasury services at Hambros

Instead, exporters, importers and others involved in cross-border transactions should be able to exploit the money market instruments now available to give themselves a competitive edge in world markets. If all else is equal — if two companies are producing an identical product for the same cost - then the manufacturer that has made the cleverest use of financial tools available in order to offer the guaranteed best price will win the orders.

For small or medium-sized companies that have little experience of international husiness, the real problem is not just identifying the risk but also finding out what is available and understanding the banking and market jargon.

Companies need to recognize, for example, that there are three separate kinds of currency risk - a transaction exposure that arises out of a normal cross-border trading activity; a translation exposure that arises from the need to reevaluate in terms of a company's reporting currency those assets, liabilities, income and expenditure that are denominated in a foreign currency, and economic exposure that arises from a company's commitments to specific

currencies and currency environments.

The International Chamber of Commerce identifies nine basic techniques for managing exchange rate risks, ranging from the matching of receipts and payments in the same currency; multilateral netting; leading and lagging; through to the use of forward currency trans tions; futures; options; swaps, and official export/financing insurance agencies.

The real test, though, is knowing how to apply and combine the various products in order to achieve the most effective result. The management of currency and interest rate risks has become so advanced and sophisticated that products are more or less tailor-

made to a particular customers needs, with

financial advisers developing and refining new

techniques daily. Bankers say they are coming close to being able to cover all risks - the decision the customer has to make is whether he is prepared to pay for virtually full cover or whether it may preferable to hedge only part of the exposure. But as new financial futures and options contracts are launched on the world's exchanges and dealers refine and build on these products to meet particular customer needs, money market fluctuatious need no longer present the sort of nightmare that they have done



Sir Freddie Laker

triple-A rating.

Furthermore, as the world's financial markets evolve, so the range of products will con-

tinue to grow. Likewise as trading volumes expand, more cross-trades should soon be possible directly between currencies rather than through the U.S. dollar, enabling transactions to be completed more quickly and more cheaply. There s also scope for improvement in the variety of interest rate bedging instruments. The broadest choice of tools for guarding against adverse interest rate swings are available in dollars and sterling, but at present are more limited in Deutsche marks, Japanese yen and Swiss

JANET PORTER is the European bureau chief for The Journal of Commerce.

can take up to six months to complete.

have to be computer experts to do these deals,"

said André Korovych, a director of asset

backed financing at Drexel Burnham Lambert.

look to refining their own securitized deals so

that they may one day both structure and distribute such financings for other banks and

corporations, "It's a way for us to tap a broader group of investors," said Bank of America's

Last July, banks were given the green light by regulators to underwrite and deal in asset-

backed securities. But they are not allowed to

Larger banks, like Bank of America, also

Borrowing Dips On Euromarkets

Special to the IHT

ONDON - The development of new markets and new financial instruments has slowed in recent months and, most importantly, major borrowers, especially those looking to refinance existing deht, have not been able to find terms attractive enough to issue debt in the same volume as they had previously.

As a result, while borrowing in international markets, notably the Eurobond market, has been slightly higher in dollar terms than it was over the same period last year, when the declining value of the U.S. currency is taken into count, it has in fact been slightly lower.

Along with the near drying up of the new-issue market in Eurodollar floating rate notes following last winter's liquidity crisis in the perpetual sector of the market, it has been the decline in dollar financing overall that has accounted for this. Japanese investors have become the mainstay of the Eurobond market, and they have consistently shied away throughout 1987 from U.S. corporate Eurobonds, for many years the bread and hutter of

A notable exception to the Eurodollar markets' lack of activity has been the torrent of issues hy Japanese corporations with equity warrants attached, about \$15 billion of which bave been launched so far this year, with more than half of them ending up in Japanese investors' hands. Roughly one quarter of all Euro-bond issues launched during the first half of this year were equity related; convertible into stock or with warrants to purchase stock at-

Another has been the shorter end of the maturity spectrum, an area where the Euro-markets are still relatively underdeveloped. The Eurocommercial paper market has continued to grow rapidly, and outstandings in the Euronote market overall are now estimated to be as high as \$40 billion.

The Enro-medium term note market - pro-In fact, the trouble and expense of securitizing assets has deterred many of the nation's hanks from entering the market. Transactions viding paper of two- or three-year maturities - has over recent months seen increasing investor demand against a background of an "Bank managements are worried that they uncertain interest rate outlook.

The Kingdom of Spain announced a \$1 billion medium-term note facility in July, and major facilities previously arranged for prestigious names like Pepsico and General Motors Acceptance Corp. have been activated.

Before this market came into being last year, the only two-year Euromarket securities available to investors were bank certificates of deposit. For issuers, funding costs below the ondon Interbank Bid Rate make this an at-

tractive market. But as for the mainstream, five-year plus maturity Eurobond market - spart from faddish instruments such as warrants and the development of synthetic instruments lannched as repackaged floating rate notes — the Eurobond market has been characterized by investors jumping from currency sector to currency sector, following the foreign exThe yen especially as well as the Deutsche mark, sterling, Canadian, Australian and New Zealand dollar markets have seen periods of relatively high new-issue volume as a result, while remaining vulnerable to periods of famine and falling prices.

The demands of the major sovereign borrowers on the international capital markets have shrunk. The United Kingdom borrowed a total of \$6.5 billion with Eurodollar floating rate note issues last year in order to shore up the government Treasury's reserves to play in the foreign exchange markets before the general election last June. Opportunities for financings such as those are no longer a feature of the international markets.

Other major sovereign issuers are simply borrowing less. The Kingdom of Denmark borrowed a total of \$1 billion in a single day from the Euromarkets last year, but its borrowing requirement for this year is only about \$4 billion compared to 1986's total of \$7.25 billion. This is largely due to an improved balance

of payments position.
It is a similar story in Sweden, which this year will be far less active simply because it has over the past three years succeeded in refinancing all of the high-interest debt it incurred earlier. The same applies to other major sovereign and supranational borrowers.

OR the Euromarket houses, this slow-down has meant a refocusing of priorities. The international equity markets and domestic government bond markets have attracted most attention, although in the case of the latter the experience of the U.K. government gilt-edged market since "Big Bang" last October has proved that low government funding requirements leave room for only a few major players in each market.

The international equity market is certainly booming, however. During the first six months of 1987, about \$30 billion of internationally syndicated equity issues were launched, and while there was a notable debacle in the case of Fiat's giant \$2.1 billion deal, that total compares with \$33 billion for all of 1986.

But for many houses the result of rising interest rates and the retrenchment of both fixed and floating rate bond markets has entailed the beginning of an austerity period that even a year ago would have been unthinkable to the notoriously well-paid and bonused Euromarketeers.

Some houses have dropped out of market making in certain sectors altogether, while others simply are beginning to cut back on staffing

Internationally, there are prospects for the development of new lending. It has been estimated that China may borrow up to \$40 billion in international loan and bond markets over

the next five years. There has also been some hope rekindled that a solution to the massive problem of Third World debt might involve the creation of a market for debt-to-equity swaps and a large and liquid secondary market for the trading of debt marked down to its market value.

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Banks, Thrifts Buoy Securitization Markets

By Linda Keslar

EW YORK - This year has seen yet another watershed in asset-backed securitization, the fastest growing market segment in terms of volume of the U.S. capital markets.

Up until this year, this \$16 billion market has been dominated by captive finance companies, like General Motors Acceptance Corp. But now banks and thrifts are emerging as some of the most innovative players in the sale of these securities, accounting for more than half the \$6 billion issued in the public market

so far this year. That kind of growth is posing new challenges for bank managements, since selling off parts of a bank portfolio was unthinkable only a few years ago. So far, U.S. banks have successfully bundled antomobile loans and credit card receivables into public securities and sold them to investors for a profit.

But the diversity of their loan portfolios is likely to lead to more innovative offerings as bank managements look at other portions of their commercial portfolios, like second mortperforming loans to the Third World as a ource of new funding.

"Securitization gives bank managements more tools to manage the size of their balance sheet and make their capital work more effectively," said Patricia Jehle, a director at Salomon Brothers, which has managed several asset-hacked deals for banks in the public

"It's a brave new world for banking since securitization makes loans a tradeable instrument," said George J. Vojta, a vice president of corporate management at Bankers Trust. "As securitization becomes more and more competitive, banks will make less from originating

For the most part, asset-hacked securitization is uniquely a U.S. market phenomenon, driven in part by a regulatory environment that has also urged banks to strengthen their capital levels. By packaging loans into a security generally backed by a certificate or note, banks wipe those loans off their books and use the proceeds from the securities sale to make new loans. Banks also make a profit from the securities sales since they receive a higher interest

rate on the loans than they pay to investors who bought the security.

Bank of America has hundled about \$2 billion worth of its credit card and car loan receivables into six separate securities, which it sold in the public market over the past 16 months. The California bank was able to shed those loans off its books and use the proceeds from the securities sales to make new loans as well as inject an additional \$140 million into its capital reserves.

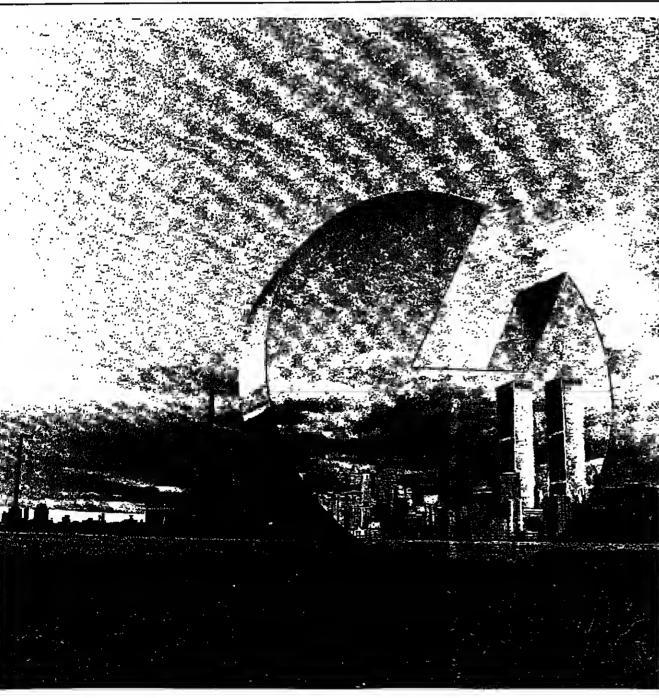
That's money that otherwise would not be there," said Townsend Walker, a vice president

Third World loans bring an additional sovereign risk feature to securitizing assets and that introduces even more complexity into what is complicated to begin with," said Miles Federman, a senior vice president at Standard & Poor's, the rating agency.

To get an investment grade rating, securities backed by Third World debt would have to carry hefty insurance, he added, perhaps more than 50 percent of the face value of the underlying loans. That would also make the security more costly to investors. By contrast, for securities backed by mortgages and car loans, a 5

use their new authority until Congress lifts the moratorium on their new underwriting powers on March 1, 1988.

LINDA KESLAR is a financial journalist



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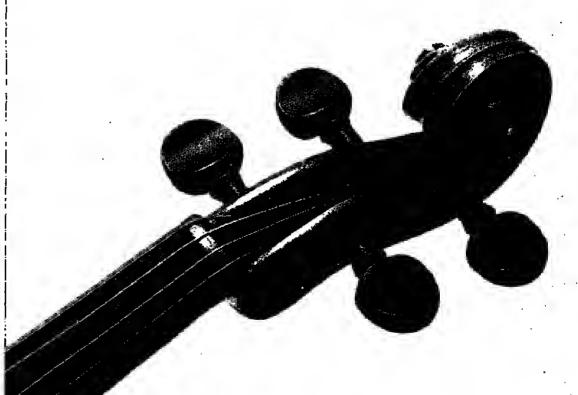
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MONDAY, SEPTEMBER 28, 1987

Banks, Taking Long View, **Help Clients in Bad Times**

By CARL GEWIRTZ

ARIS — The volume of Eurobonds lannched last week made it look as if business made it look as if business was almost back to normal. But the activity was mostly bravado on the part of underwriters trying to satisfy their customers' demand to borrow before interest rates rise further.

"Clients are spooked about the rise in interest rates," an

investment banker said. "They want to lock in funds while they still can and they expect their bankers to be supportive, in the bad times as well as the good times."

The risk-reward ratio in bringing new business is "appalling" he admitted. "We're all doing business we'd rather not do.

Underwriters these days can only lose money." So why do banks agree to 'accept new business? "Because times are changing, we're moving back to relationship banking," the banker said, away from the days when borrowers asked for competitive bids and appointed as lead manager whichever bank proposed the most favorable

Underwriters are nevertheless left holding paper that cannot easily be sold.

to ace by "We're making a fundamental business decision that banks which are supportive to issuers in these difficult markets will keep those clients when conditions improve."

Underwriters taking this long view are nevertheless left holding paper that cannot easily be sold. The banks can either drop the price of the paper until professional bargain hunters are tempted to buy or can inventory the paper with borrowed money. This latter strategy is a profitable one. Eurodollar bonds, for example, currently yield just over 9 percent, while the cost to borrow dollars overnight is 7% percent.

- The State - Will That is a very comfortable spread for banks to pocket. It is also nisky. The majority of professional opinion is that interest rates are much more likely to rise than fall. If rates do jerk upward, that financing gain could evaporate and banks would then be left -holding bonds whose resale value was plumeting, since bond prices fall as interest rates rise.

> HE ONLY ATTRACTION the new fixed-coupon issues offer investors is their short maturity. Institutional investors such as bond funds, pension funds or life insurance companies are not able to dispose of their bond holdings and move into cash or other instruments just because interest rates are

rising.

They are obliged to remain in the bond market, But one way They are obliged to remain in the count manage that risk when rates are rising is to shorten the maturity of their holdings.

That strategy is aimed at benefiting from the fact that as interest rates rise, the increase amplifies along the maturity horizon, with longest-term paper registering the largest increase in yield and the biggest drop in price. By contrast, short-term paper is the least vulnerable to price erosion as redemption at par value is so near.

Professional investors, therefore, are eager to sell long-term bonds in their portfolios and use the cash to buy new short-dated securities. This was evident recently when both Italy and Sweden reopened the dormant market for Eurodollar paper.

But there was not much evidence of such activity last week, when the three new issues were all from U.S. corporations. The recent history of lawsuits, takeovers, buyouts and other overnight developments transforming a company that had a triple-A credit rating to a triple-B have turned the once much desired debt of U.S. companies to the pariah of the market.

American General, the U.S. insurance company, priced its \$150 million issue at 50 basis points, or a half percentage point, over the yield on U.S. Treasury notes. Investors have the option of redeeming the paper after three years or holding it to final maturity in seven years. If in three years U.S. interest rates have

Lead manager Credit Suisse First Boston valued that option at the equivalent of 15 basis points, giving a theoretical yield of 65 basis points over the current yield on Treasury notes. Competitors argued that the yield, whichever way it was calculated, needed to be 75 basis points over the curve to be attractive.

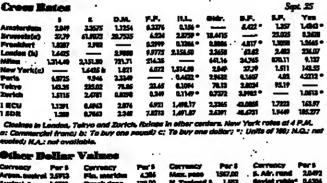
But that argument was purely theoretical. Investors indicated that they put a zero value on the option to hold the paper for seven years. The notes, bearing a coupon of 9 percent and priced at 100%, ended the week down 2% points, well outside the 1% points paid as fees to underwriters.

Ford Motor Credit's \$200 million of three-year notes, offered to yield 60 basis points over the Treasury curve, ended the week trading at a 2½-point discount to yield 70 basis points over.

American Telephone & Telegraph, making only its fourth appearance in the international market, tried putting two-year

See EUROBONDS, Page 19

Currency Rates



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Big Issue **Planned** In Italy

Montedison Aims To Pare Debt

MILAN — Montedison SpA's board has approved a 1 trillion lire (about \$760 million) rights issue aimed at reducing its huge debt

after several recent acquisitions. The issue, Montedison's larges ever capital-raising operation, will be considered by shareholders at a meeting in November.
Officials said the plan calls for

the issue of 540.9 million ordinary shares at 1,900 lire each, to be offered on the basis of one new share for every five ordinary or savings share currently held.
The shares would have n nominal

value of 1,000 lire each. Lino Cardarelli, Montedison's managing director for financial po-licy, said Saturday that the group's net debt currently stands at about 7.6 trillion lire after several large

Among those were an agreement earlier this mouth to buy a controlling stake in U.S. polypropylene producer Himont Inc. for \$1.6 bil-

Last week, Montedison's request on international markets for an \$800 million loan to help finance that acquisition was more than four times oversubscribed. (International Credit, Page 19).

Montedison's ratio of debt to equity, currently 1.3, would be lowered to 0.9 by the rights issue, Mr. Cardarelli said. He said the plan "means we do

not have to worry about the financial structure and can concentrate on industrial strategy." As part of the plan, the chemi-cals and pharmaceuticals company

said, it has reached a preliminary accord with investment banking and securities firm Wertheim Schroder & Co. to acquire rights for up to 300 billion lire of Monte-

Wertheim would then guide a secondary placement of the shares on foreign markets. Montedison officials said details of that placement had not been finalized.

countries say there is a danger of a

stalemate in efforts to resolve the five-year-old debt crisis and have

jointly called for a dialogue be-tween industrialized and debtor na-

tions to work out innovative solu-

"A real concerted effort is re-

quired to remove the prospect of

deadlock and to pave the way for a

cooperative solution to the debt

problem," the Group of 24 devel-

oping nations said in a communi-

advance of meetings this week of the International Monetary Fund

The statement was released in

The finance ministers from the

24 developing countries said that the debt crisis could worsen if no

changes in strategy are made.
"The new market reality opens

the way for a long-term solution to the debt problem," the ministers said. They urged "the adoption of

new, innovative mechanisms that

may bring about a change in ap-

proach from mere debt reschedul

The ministers issued a number of

demands on industrialized nations

aimed at relieving the economic

ngs to debt reconstruction."

qué issued Saturday.

and World Bank

Developing Nations Call

For Fresh Debt Strategy

WASHINGTON — Developing At a meeting chaired by Finance





Entrepreneurs who have taken an interest in Pearson: From left, Carlo de Benedetti. chairman of Olivetti, publisher Rupert Murdoch and Li Ka-shing, Hong Kong financier,

Pearson: A Prime Breakup Target?

Murdoch Seen as Latest Predator Circling Family Firm By Steve Lohr by the end of the week. The total price of Mr. Murdoch's stake is estimated nt \$420 million.

New York Times Service
LONDON — Pearson PLC, the blue-chip British conglomerate whose holdings range from the Financial Times newspaper to Madame Tussaud's wax museum, had caught the eye of corporate raiders long before the publisher Rupert Murdoch bought a major stake in Pearson last week.

Last year, Li Ka-shing, a Hong Kong billionaire financier, pur-chased a 5 percent holding in Pearson, which he later sold. Earlier this year, Carlo de Benedetti, the Italian entrepreneur and chief executive of Olivetti SpA, acquired just under 5 percent. And for nearly a year, Pear-son has been the subject of bid ramors, with the list of supposedly interested investors includ-

Saul Steinberg and a bevy of British predators. Pearson is viewed as vulnera-ble because the 143-year-old family enterprise is a collection of excellent businesses brought together more by historical accident than by coherent design.

ing New York-based financier

The Pearson portfolio is a grab-bag: as well as the Finan-cial Times and Madame Tussaud's, it includes an amusement park, Royal Doulton china, the Château Latour vineyards, a couple of oil-service and exploration companies, half of The Economist magazine, half of Lazard Brothers merchant bank

Yugoslavia, the ministers called for

industrialized nations to lift foreign

aid to a targeted 0.7 percent of their

gross national products. Of that

amount, 0.15 percent would go to the poorest developing nations.

prompt approval of an increase in the IMF's Structural Adjustment

Facility for aid to low-income

countries, and for a general capital

The IMF's managing director,

Michel Camdessus, proposed at an

economic summit meeting of the

seven leading industrialized countries in June that the Structural

Adjustment Facility, a pool of

money provided to desperately poor countries, be tripled to about

\$12 billion because of near-crisis

Industrialized nations have en-

dorsed the plan in principle but

Finance Minister Bernard Chid-

zero of Zimbabwe, who chairs the

World Bank Development Committee which meets Monday, said

earlier that his "minimum expecta-

tion" was that an increase in struc-

tural adjustment fund resources

have made no commitment to any

increase for the World Bank.

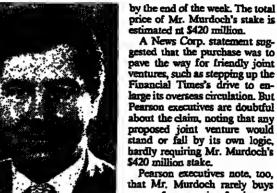
The countries also called for



Lord Blakenham

brokers and investment bankers, appears to be a prime candidate for a corporate "restructuring," splitting up the separate businesses as independent companies or selling them off to other companies. The theory behind such thinking is that the whole of Pearson is worth less than the sum of the parts. It is in that context that Mr.

Murdoch's move last week is being viewed. Feverish buying of Pearson stock by Mr. Murdoch's News Corp. brought the disclo-sure that he held nearly 15 percent of the conglomerate's shares



and the Penguin publishing

Pearson, according to some

Company total pane

would be approved this week. He

did not predict how large the in-

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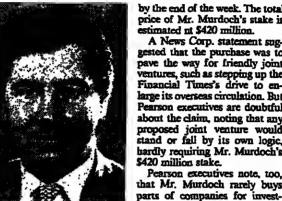
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crease would be.

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Burkina Faso

Mozambique



In its statement, Mr. Murdoch's company said it did not plan to make an all-out bid for Pearson during the next 12 months in the absence of a material change in the circumstances of that company." No inkling was given as to what would constitute a material change by Mr. Murdoch's reck-

According to sources close to Pearson, Mr. Murdoch's stake is

Pearson executives note, too

"Anyone who assumes Rupert

Murdoch is a passive investor should have his sanity tested,"

ment purposes only.

one Pearson adviser said.

probably a prelude to a breakup bid. Mr. Murdoch, they say, must place a high price on the See PEARSON, Page 19

Brazil Requests \$10 Billion for **Debt Payments**

By Anne Swardson

Washington Post Service
WASHINGTON — Brazil, prenting a plan to foreign commercial banks for resuming the debt ian debt if no tol payments that it suspended in Feb-made before then. ruary, has requested \$10.4 billion in new loans to finance interest due over three years.

Creditor banks said it was too at doing. early to react officially to the plan, which Brazil presented Friday as it opened its first serious negotiations since halting payments on \$68 bil-liou in commercial debt.

Brazil also said it was prepared to convert some of the debt into bonds issued at the par value of the debt, with interest rates subject to unspecified limits.

The country also called for the reduction of the interest rate on the remaining bank debt to the banks' cost of funds, and for fixed interest rates with "appropriate adjust-ments." Interest on bank loans of this kind usually fluctuates with

changes in market interest rates. The new lending includes back interest Brazil has accumulated since it suspended payments, as well as the interest it will owe in the remainder of 1987, in 1988 and in

With public and private debt totaling \$112 billion, Brazil is the second-largest Latin American debtor after Mexico.

"In order to be current on our interest payments, we need interest financing," said Fernão Bracher, Brazil's chief debt negotiator. The two sides are to meet again Friday after working groups have

analyzed the proposals. One of the 14 bankers on the committee that met the Brazilians said of the plan: "We don't like it, obviously, especially the idea of lending specifically to pay our own

But he and others said it was encouraging that Brazil had finally returned to the negotiating table after seven months of strained relations. "This is only a beginning. Everything is open to negotiation," another banker said.

Although it was not emphasized at the meeting, U.S. bankers are

bank regulators is expected next month to consider ordering banks to downgrade some of their Brazilian debt if no token payment is

Such a downgrading would amount to a partial writeoff of the debt, which the banks have balked

So far, President José Sarney bas rejected bankers' suggestions that Brazil submit its inflation-ridden economy to the economic oversight of the International Monetary Fund, as most debtor nations have done, in return for new loans and easier terms on the existing debt.

Banks Provide \$1.95 Billion For Argentina

WASHINGTON --- Argentina's creditor banks have more than fully subscribed for a \$1.95 billion loan negotiated last month, making the credit

William R. Rhodes, a Citibank executive and chairman of the bank working group for Axgentina, said Saturday that Ar-gentina was expected to draw \$750 million of the new money on Oct. 6.

Under terms of the financing package, Argentina's creditor banks committed themselves to s \$1.05 billion medium-term loan, \$500 million in cofinancing with the World Bank and n \$400 million trade credit and

deposit facility.

Bank commitments to the package are being reduced pro-rata to reflect the oversubscription. The announcement comes at a time of uncertainty over Argentina's economy, including an expected 50 percent decline in its trade surplus this year and recent election gains by the opposition Peronist party, which

A suggestion by the Japanese

that the IMF sell some of its vast

gold holdings to assist the very

poorest countries will gain little

ground in the immediate future

The industrialized countries are

divided on the issue. The United

States opposes the idea, arguing that there is already enough global

liquidity to assist developing coun-

But some other leading nations,

including Britain, say that they have no objection in principle.

tries, the sources said.

monetary sources said Sunday.

advocates a debt moratorium.

IMF Sees Moderate World Growth

national Monetary Fund, judging mand."
that prospects are better than they were six months ago, predicted exporting Sunday that the world economy would expand by a moderate 2.8 percent this year and by 3.1 percent

It previously had projected 1987 growth at 2.7 percent. In 1986, the world economy expanded at a 3.2

But the IMF's World Economic Outlook, released in conjunction with its annual meeting, also said that middle-income debtor countries and sub-Saharan Africa faced a bleak and uncertain future. The IMF said it expected world

output to maintain its current monentum despite "the besitancy in industrial-country growth in late 1986 and early 1987." For industrialized countries,

this year, a slight increase from the a 2.3 percent forecast made in April, and at 2.6 percent in 1988. The IMF said that developing countries should see a growth rate

Referring to attempts by the United States, Japan and West Germany to correct imbalances in "Policy changes that are under way

urbs, not the city itself, the upstate

Irving has upstate banking sub-

sidiaries that are among its most

profitable units, but Mr. Bacot indicated when the takeover move

was announced that they would be

Irving is considered in banking

circles to be a sleepy organization.

growth is projected at 2.4 percent

The 24 developing countries also argued that a change in existing debt strategy was urgent because of rising interest rates, the lack of voluntary lending by commercial banks and a deterioration in the of 3.3 percent this year, up from an trade balances of debtor countries. earlier 3 percent forecast, and of They also called for a new ap-4.4 percent in 1988.

proach by multilateral finance in-stitutions such as the World Bank and IMF in supporting growth-ori-ented programs in debtor nations, particularly through debt relief.

should help to improve business expand 3.4 percent in 1988 follow-WASHINGTON - The Inter- confidence and sustained de- ing 3.2 percent growth in 1987, the It said that the economies of oil- . Gold Sale Seems Unlikely

a plunge in oil prices would recover somewhat in 1988, growing by 2.9 percent after a 0.6 percent downturn this year and a 0.1 percent reduction in 1986.

The IMF said that the volume of world trade would increase 3.4 percent this year and by 4.4 percent in 1988, compared with 4.8 percent in

Inflation, n key indicator of economic health, is expected to accelerate slightly in the industrialized countries next year while easing in

the developing world.

Specifically, the IMF forecast that prices in industrialized countries would climb by 3.3 percent in 1988 after rising 3.1 percent this year and 3.3 percent in 1986. Inflation in developing countries

is projected at 6.6 percent in 1988, the IMF said, after an 8 percent rate in 1987 and an 8.2 percent rate The U.S. economy is expected to grow by 2.7 percent next year after a projected 2.4 percent expansion

in 1987, the IMF said, West Ger-

many is likely to see a 2.1 percent

After arriving for talks associatwith the annual meetings of the IMF and World Bank, Vice Finance Minister Toyoo Gyohten of Japan said, "We should not ex-clude the possibility of selling IMF gold." The IMF holds about 100 mil-

> with a current market value of about \$46 billion. Countries representing 85 percent of IMF's voting power would have to approve any sale of gold. Securing approval would be a difficult process because the United States has about 20 percent of the

lion ounces of gold in its coffers

Bid for Irving Reflects Hostile Bank Mood Last year, regulators allowed an that the regional compacts and Bank of New York bought a num-even bigger \$1.07 billion merger their exclusionary features were ber of banks in upstate New York By Robert A. Bennett

NEW YORK - Although Bank of New York Co. jolted the banking world by making a hostile offer to acquire Irving Bank Corp., the move seems right in step with the recent development of the U.S. in-

Banking is no longer the genteel

NEWS ANALYSIS

has become fierce as banking's share of the corporate-loan market has shrunk and new, nonbank institutions have begun offering consumer-banking services.

Today, few bankers see themselves as members of an elite club more interested in being statesmen than in making money.

"A move is not unbanker-like if it helps stockholders, employees and customers," said J. Carter Bacot, chamman of Bank of New York, in an interview after the bid was announced Friday. Bank of New York's S1.04 bil-

between two leading San Francisco banks, Wells Fargo & Co. and Crocker National Corp. But a top officer of a leading New York bank said, This is not

what one would expect of a New York bank. It's a shame." "They've changed the name of the game in bank mergers and ac-quisitions to 'hostile,' " said James . McDermott Jr., chief bank stock

analyst at Keefe, Bruyette &

Athough hostile takeover attempts remain rare in American banking big bank mergers have become common, especially when they involve organizations in different states. But most of the regional pacts that allow such combi-nations exclude New York-based banks because of fears that local banks would be gobbled up by

New York's giant institutions. Neither Bank of New York nor Irving is among the city's giants, but because they are in New York they are still excluded from entering other regions.
Mr. Bacot, however, has tried to

test those limits. In 1983, the Bank lion offer for Irving must be apof New York sought to merge with proved by a number of regulatory agencies, but the idea of a merger Northeast Bancorp Inc. of Conbetween two large banks in the necticut. The proposed merger besame market no longer seems as came a test case that went to the U.S. Supreme Court, which held

constitutional. onstitutional. cities, including Syracuse, Buffalo The Bank of New York still and Albany. But after Mr. Bacot bolds an option to buy Northeast if decided that the bank should con-and when that is allowed by Con-entrate on New York City's subnectiont law. The proposed merger of Bank of units were sold.

New York and Irving would com-

bine two institutions rich in history. Banking history has its disputed areas, so the Bank of New York is either the oldest or second-oldest bank in the United States. Founded in 1784 by Alexander

Hamilton, who later served as the first U.S. Treasury secretary, it is clearly the oldest in New York. Mr. Bacot is known for a willingness to shift strategies. Years ago,

21/4

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These are indicative market prices

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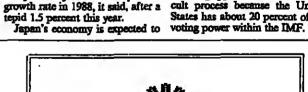
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DIRECTOR - MARKET MANAGER AUTOMOTIVE	competitive	Grace Industrial Chemicals, Inc.
DIRECTOR & ASSOCIATE DIRECTOR	S.Fr. 33,000 p.a.	League of Red Cross
EXECUTIVE SOUS-CHEFS	attractive	Holland Americo Line - Westours
If you haven't seen i	ost week's INTERNATI	ONAL POSITIONS rubric,

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By Michael Richardson TROLAK, Malaysia - All

around Ramli bin Yusopp's mod-

est wooden house, as far as the eye can see, oil palm trees planted in

neat rows cover the moist tropical

earth with a quilt of dark green

The trees are like coconut palms,

but shorter and more luxuriant. The clumps of fruit, similar to

bunches of orange colored dates when they ripen at this time of year,

are a major source of income for Mr. Ramli and for Malaysia.

from the fruit earned Malaysia \$1.5

xillion in 1986, about 10 percent of

Palm oil is the country's third

most valuable export after crude oil

and natural gas and timber. In a

recent report, the International

Monetary Fund said that Malay-

sia's share of total world palm oil

production had doubled, to 60 per-

Malaysian palm oil, used for

cooking and for blending with oth-

er edible oils in foods such as mar-

garine, has captured 35 percent of

the global trade in oils and fats,

according to Dr. Lim Keng Yaik,

Malaysia's minister of primary in-

"We have won that share be-

cause we are cost-efficient produc-

ers of a good product that we have

marketed aggressively," Mr. Lim

In a recent report, the Bernama

said in an interview,

ts total export revenue.

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en A abfitikle	1.	WestLB Finance	DK 300	1993	101/2	99%	97_88	Noncollable. Fees 1%%.
		European Investment Bank	BCU 75	1994	81/4	99%	97.63	Noncollable, Fees 196%.
William Printer Brains	Liber Haire	Avido Financial Services Canada	C\$ 75	1992	11%	100%	98.50	Noncollable. Fees 196%.
A Many Be F	Secretary Secret	Federal Business Development Bank	C\$ 50	1991	10%	11314	112.75	Noncollable. Each C\$5,000 note with 5 worrants, each exercisable from 1989 into one ounce of gold at \$463,15 per ounce, a 25% premium, Fees 1965.
end Martin of the basis The PE west Philips Service He there	e	Olympia & York EurocreditCo	cs 100	1992	111/2	101.35	98.85	Noncollobia. Fires 176%.
et a market and a		Prodential Funding	C\$ 120	1992	111%	101%	98.50	Noncolichie, Fees 1%%.
Wallyn	Y' Region	Deutsche Bank Australia	Aus 125	1990	12%	1011/2	100.60	Noncallable. Fees 11/%.
Mari Art er	THE STATE OF THE S	BHF-Bank Finance (Jersey)	NZ\$ 75	1990	171/4	1011/2	99.00	Noncollable. Fees 13/5%.

news agency said that Malaysia's LB Schleswig Holstein 1011/2 100.13 Noncollable, Feet 11/2%. crude palm oil production was 16 percent higher in August, at Toronto Dominion NZ\$ 60 1989 171/2 1011/2 100.00 Noncoliable. Fees 13/6/4. (Grand Conyon) EQUITY-LINKED Coupon indicated at 31/%. Nancallable. Each \$5,000 note with one warrant exercisely late. July, from 15,743 in June. \$30 1992 open 100 with one warrant exercisable into company's shares of an expected 250% premium. Fees 250%, Terms to be set Oct. 1. CDC Life Sciences \$75 2002 514 100 \$50 1992 open 100 Coupon indicated at 31/1%. Noncollable, Each \$5,000 note with any warrant exercisable into company's shares at an expected 21/1% premium. Fees 21/1%, Terms to be set Oct. 1.

Commercial Credit \$100 1994 5¾ 100 99.00 Callable in 1990. Convertible at \$40.45 per share, a 79.80% Company \$ 50 1992 7% 99% Each \$10,000 note with 834 warrants, priced at 67 perice each, exercisable into shares at 421 perice per share, at 28% premium, Fees 24%. Costain Group \$50 1992 open 100 Coupon indicated at 34%. Noncolleble, Each \$5,000 note

Hazama-Gumi expected 24% premium. Fees 25%, Terms to be set Oct. 1. \$75 1997 open 100 Coupon indicated at 2% to 3%. Callable at 102 in 1992. Convertible at an expected 4 to 6% premium. Fees 25%, Terms to be set Sept. 29. Coupon indicated at 31/1/4. Noncallable, Each \$5,000 note 1992 open 100

with one worront poproisoble into company's shares at an expected 255% premium. Fees 256%, Terms to be set Sept. 29. 1992 open 100 Coupon indicated at 31/2%, Nancallable, Each \$5,000 note with one warront exercisable into company's shares at an expected 25% premium, Fees 254%. Terms to be set Sept. 30. 98.00 Collable at 103 in 1992. Convertible at 13,738 year per share. Fees 25%, \$100 million issued in Europe and \$50 million issued in Asia. \$150 2002 134 100 Nippon Credit Bank \$100 1992 314 100 Stonley Electric 98.50 Nonovillable, Each \$5,000 note with one womant exercisable into company's shares at 925 yen per share and at 145.15 yen per dollar. Fees 26%.

with one warrant everalsable into company's shares at an expected 25/2% premium. Fees 25/2%, Terms to be set Sept. 30. Coupon indicated at 31/%. Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 21/% presium. Fees 21/%. Terms to be set Sept. 30. HINCE CALIFICATION TO Proper Manufacturing 97.50 *Coupon indicated at 3½%. Novazillable. Each \$5,000 note with one worrant exercisable into company's shares at an expected 2½% premium. Fees 2½%. Terms to be set Sept. 28. Toisei Prefob \$40 1992 open 100 Each 1,000-mork note with one 5-year and one 6-year warrant, each exercisable into one participation share of Electrowate AG, at 340 Swiss francs and at 350 francs respectively. Fees 295%. DM 150 1994 314 100 Electrowott Finance

\$200 1992 open 100

96.75 Redemoble of 107% in 1992 to yield 1.53%. Convertible of on expected 5% promium, Feet 25%. Terms to be set Oct. 1. DM 200 1997 zero 100 Minolta Comera 100.50 Reclaemable at 123½ in 1992 to yield 8.47%. Convertible at 295 pence per share, a 26.07% premium. Feas 256%. Argyll Group £ 60 2002 435

99.00 Radeemable at 120.70 in 1992 to yield 8.51%. Convertible at 452 pance per share, a 25.91% premium. Fees 25%. £ 50 2002 4½ 100 London Int'l Group

EUROBONDS: Banks Take Long View, Help Clients Through Bad Times

98.00 Coupon indicated at 31/3. Noncollable. Each \$10,000 note

warrants to buy gold at a price of an ounce, the price then prelittle demand outside of witzerland and the paper traded t a discount from the offering

wice of 2% points. Bankers said they were trying to convince investors to sell high cou-con Australian-dollar bonds, pockting the gains from the currency's ppreciation against the U.S. dollar and the steady decline in Australan interest rates, and swap into Anadian dollar bonds.

The current coupon level on Cajadian dollar bonds is about one sercentage point below the level low prevailing in the Australian lollar sector. Some bankers believe hat is a small price to pay for witching into Canadian paper, which is seen as having greater poential for capital gains than the instralian dollar, as the Canadian ar letter appreciates against the U.S.

THE PROPERTY AND ASSESSED OF Fed Panel Backed Fighter Money

deserve System committee that ontrols growth in the nation's

The Federal Open Market Committee's minutes for its Ang. 18 aceting released Friday, concludd that "somewhat greater reserve estraint would, or slightly lesser lesserve restraint might, be acceptions desk in New York.

The wording indicates more of the higher rates as well as the dollar market. Although government officials said it was incorrect to read the firming as a signal to further tightening of monetary policy, analysts were unwilling to dismiss the moves, especially as they came on the eve of the annual meeting of the International Monetary Fund.

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be FOMC said that greater or less-I restraint both would be accept-

But the four new Canadian dol-But the four new Canadian dot-lar bonds were too much for the shunned, investors continued to most active but drew little support. market to bear. Without some compelling reason, such as swapping into shorter maturity, higher quality, higher yielding paper, investors are unwilling to look at new fixed-rate investments in any currency.

A 500 million French franc offering from Solvay, the Belgian chemical company, drew little in-terest outside of France and the Benefux countries, despite the fact that real, or inflation-adjusted, interest rates in France are now the highest available. Some analysts say the high real rates compensate for the possibility of a further de-valuation of the franc against the Deutsche mark. But other analysts, who believe French policy is now aimed at maintaining the currency's value against the mark, dismiss fears about a devaluation and say current interest rates make franc

investments attractive. Using 10-year government bond rates and the level of consumer price increases reported in August, Salomon Brothers estimates that real interest rates in French francs are at 64 percentage points, versus 6.1 points in marks and Canadian WASHINGTON - The Federal dollars and 514 points in U.S. dol-

lars and yen. Interest rates in both West Ger- States. noney supply voted in August for a lightly tighter policy than it approved in July, the Fod has re-The Federal Open Market Com- rect to read the firming as a signal the talks.

be dealt with by a rise in the U.S. discount rate rather than by a reble depending on circumstances. lexation of monetary policy else-

Constituted from first finance page) dollar and Canadian interest rates where," said analysts at Credit ing stockholders pre-emptive Suisse First Boston.

While straight bonds were Japanese issuers remained the register a preference for equity-linked paper. Even though British stock prices plummeted last week on news of a surprisingly bad trade

most active but drew little support. Notable among these was Mindta Camera's sale of 200 million DM bonds carrying no interest rate

2½ percent increase in the out-the absence of any coupon rate on standing volume and thus did not the bond, shunned the paper, require the companies to seek which traded at a 314-point disreholder approval or offer exist- count

deficit, the issues from engineering and construction company Costain tion, to redeem the bonds after five Group PLC and food and drink company Argyll Group PLC were well received.

A both core a surprising point trade at all. Investors do have a put option, to redeem the bonds after five years at a premium price giving a yield of 1.53 percent. In exchange, a low 5 percent premium was set on In both cases, the new stock to be converting the bonds into common issued represented not more than a stock. But investors, focusing on

Drawings in domestic French

Bonds Show Strength, but Caution Reigns

NEW YORK - The mood in the credit markets has turned to one of caution as investors remain of the meeting this weekend of the Group of Seven finance ministers. Concern also lingers about the possibility of higher interest rates

U.S. CREDIT MARKETS

both abroad and in the United

Bonds closed slightly higher Friday on expectations that the major industrialized nations would reaf-

That was in sharp contrast to Thursday, when prices plummeted long bond, the 8% percent issue dismiss the moves, especially as on reports in the Japanese press that the Bank of Japan had decided meeting of the International Mone- to tighten monetary policy and to encourage higher short-term inter-

est rates. Toyoo Gyohten, a Japanese depporters in Washington on Friday that Japan was resisting any tightening of monetary conditions.

He said the Bank of Japan was near-term trading bottom," said into the two markets.

U.S. Consumer Rates Tux Exercet Books Bond Reyer 20-Dood Ledex 8.39 % Money Market Funds Bank Money Market Acco Bank Rate Mealter Index flowe Marigage, PHLS overage

trying to maintain an easing but noted that there was underlying pressure in the market for higher interest rates, including strong eco-nomic activity, increased demand ernment officials said it was incor- firm their support for the dollar at for funds and faster money supply

By late Priday, the bellwether maturing in 2017, was at 92 10/32, up by 7/32, to yield 9.66 percent.

Also underlying market senti-ment is the displeasure by bond traders over lack of a debt ceiling missions because members could measure by Washington that would not agree on the phrasins of a resouty minister for finance, told re- allow the Treasury to resume its lution. The new fee structure original

process of making an important attracting institutional investors

sooner we break some key technical

the three-month bill rose 10 basis points, to 6.54 percent, late in the day; the six-month bill was up 4 basis points, to 6.89, and the oneyear bill was unchanged at 7.21

In the intermediate market, 10year notes due in 1997 ended at 94 12-32, to yield 9.51 percent.

New Brokerage Fees

KUALA LUMPUR, Malaysia - The Kuala Lumpur Stock Ex-change has said it will postpone the

The new lower rates are aimed at

Threatened by U.S., EC Moves

for the overwhelming proportion of the world's palm oil. Indonesia, which accounted for 17 percent of global production in 1986, is the second-largest producer after Malaysia, while the Philippines is the biggest exporter of coconut oil.
Jose V. Romero Jr., chairman of

the Philippine Coconnt Authority, a government body, said 17 million Filipinos, about 30 percent of the population, are involved in the coconut industry.

counts for 30 percent of all Malay-sian land under cash-crop cultivation and the livelihood of thousands of small farmers, is un-Proposals on vegetable oils by

the United States and the European Community could undermine the Malaysian industry and that of other Third World producers, Mr. The EC proposed earlier this

month to raise an existing 12 per-cent import duty on vegetable oils, while a U.S. Congressional com-mittee has begun hearings on a bill cash crops. to label palm oil, palm kernel oil and coconnt oil as saturated fats when used in food products. Satu-

increased risk of heart disease Mahathir bin Mohamad, Malay-491,079 metric tons (540,2 short sia's prime minister, asserted earlitons), than a year earlier, according er this month that those plans to official figures. Exports rose amounted to an attack on free nearly 9 percent to 17,136 tons in trade.

rated fats have been linked with an

Lim Keng Yaik

der threat.

Malaysia and its five partners in

The ASEAN countries account

Many of them are poor and live

in areas where Communist insurgents fighting to overthrow the Philippine government have made gains in recent years.

The tropical oil industries play a vital role in the economic life of the Philippines, Malaysia and Indone-

The price that farmers like Mr. Ramli get for their edible oil often means the difference between poverty and tolerable subsistence.

What we are talking about is the livelihood and income of our smallholder farmers," said Alladin Hashim, director-general of a Malaysian government land settlement program.

That program has provided Mr. Ramli and about 600,000 other people with access to farmland and

Mr. Alladin said the program had helped reduce rural poverty and landlessness, and counter the appeal of the once-powerful comist movement in Malaysia.

He said that small farmers in the program produced nearly 25 percent of Malaysia's 4.5 million metric tons of crude palm oil in 1986. Mr. Ramli, one of 1,500 farmers on the Trolak oil-palm cooperative But now, according to Mr. Lim, the Association of South East about 70 miles (117 kilometers) this important industry, which ac- Asian Nations, have joined forces north of the capital, Knala Lum-

Montedison Heavily Oversubscribed

that there was a bandwagon effect

when banks realized the transac-

tion was a success and that the

amount allocated to participants

would be greatly scaled back from

"Quite frankly, it was a kind of

As a result of the oversubscrip-

tion, banks will be allotted only 20

mitment. This means a bank that

agreed to provide \$100 million will

only be asked to extend \$20 mil-

completion when the cash is need-

ed immediately and as compensa-

some of the acquired assets are of-

not be outstanding in 12 months

The additional debt also weak-

ten sold to pay down the loan.

the underwriting commitments.

By Carl Gewirtz

mal Herold Tribune PARIS - Montedison SpA's request for an \$800 million loan to help finance the acquisition of Hi-mont Inc. of the United States was more than four times oversubscribed last week. Commitments from 44 of the 64 banks invited to participate totaled \$3.6 billion.

The success provoked fierce criticism within the banking community that Citicorp, which organized

INTERNATIONAL CREDIT

the loan, had set unnecessarily generous terms on the one-year facilicredit," a Montedison official said. ty. Interest is set at % point over the London interbank offered rate. The charge on any undrawn percent of their underwriting com-

amount will be 1/4 percent What angered the critics was the fact that Citicorp was seen reoffering paper in the secondary market at a price of 3/16 point over Libor.

Bankers who defend the pricing not drawn and 12½ basis points, or better acquisition finance allows costs more than normal loans. This is simed at assuring a speedy

This is simed at assuring a speedy

This is simed at assuring a speedy

The basis points on any automated that Chicorp was not drawn and 12½ basis points, or better that acquisition finance allows percentage point, over Libor on usage. Front-end fees range up to five basis points.

This is simed at assuring a speedy

Mr. Lim said the palm-oil industry in Malaysia was engaged in research by the U.S. Food and Drug Administration.

Richard J. Ronk, acting director of the FDA's Center for Food Safe-products. amount of interest paid by the bor-

But officials at Citicorp dispute this view. They explain that Nedermont, the actual borrower, a subsidiary that is guaranteed by Montedison, needed to draw the entire amount immediately, before completion of the loan documents and

thus before the syndicated credit could be utilized. Citicorp therefore extended the

ens the credit standing of the borentire \$800 million for one month. rower. Montedison has acknowl-

edged that its high debt-to-equity ratio needs to be reduced and late cost of a bid. last week began an exercise to increase its outstanding stock through a rights issue. In fact some banks, critical of the

transaction, asserted that the apparently generous pricing on the new loan was aimed at distracting lenders from a thorough credit analysis of Montedison.

The response was also positive to a request by Saint-Gobain, a French building materials and glassmaker, for a \$600 million facility. Bankers expect that final commitments will exceed \$1 billion. The facility, to run for five years but extendable to seven at the option of lenders, carries an annual fee of five basis points.

francs will cost 10 basis points over the Paris interbank rate, while

John Candela, managing director of fixed-income securities at Ladenburg, Thalmann & Co. The

areas the better."
In other credit market activity,

Kuala Lumpur Delays

nally was to go into force on Oct. 1.

at which time the syndicated credit drawings in other currencies will be can be drawn. Citicorp then put up set at Libor flat. However, both for sale in the secondary market. these charges are augmented by uti-participations in this one-month lization fees of 2 basis points for up to one-third of the full amount, Finance officials at chemicals four basis points for up to twogroup Montedison reject criticism thirds and six basis points for more that they paid too much to banks in than two-thirds. Fees range up to the syndicated credit. They report six basis points.

Elsewhere in the market, Data General Corp., a U.S. computer manufacturer, is seeking a \$200 million revolving credit for three years. It will pay a commitment fee of 3/16 point on any amount not "Quite frankly, it was a kind of used and % point over Libor to said that research at the Palm Oil inflation — this rush in the last two draw the loan. If more than half the Research Institute of Malaysia had days by banks offering to join the amount is drawn, the company will pay a utilization fee of an additional % point.

Nykredit, Denmark's secondlargest mortgage institution, is Mr. Lim said that Malaysia was seeking a \$50 million, five-year not against labeling but believed it loan. It will pay a commitment fee should apply to all edible oils, in-of five basis points on any amount cluding soybean oil, on the basis of This is simed at assuring a speedy five basis points.



An oil-palm plantation worker holding ripened fruits.

pur, estimated that his monthly in- ty and Applied Nutrition, said at come, after repaying an installment the congressional hearing that of a government loan for his house more research, particularly in huand land, was 700 Malaysian ring-mans, was needed to clarify further

git (currently \$277).
Of this amount, about 450 ringgit is from his 10 acres (4 hectares) of oil palm and 250 ringgit from a motor vehicle driving school that

His monthly income is above the cent of edible oil consumption in average of 500 ringgit for families at Trolak. But with a wife and eight children aged between two months and 17 years, he said that he needed

The official poverty line in Ma-laysia is fixed at 300 ringgit a ing and blending. month for a family of six.

At the congressional hearings in Washington, the sponsor of the bill. Representative Dan Glickman, a Democrat, acknowledged that the proposed U.S. legislation might cut into tropical oil imports and boost sales of soybeans grown in Kansas, his home state.

The American Soybean Association, representing U.S. soybean farmers, has been leading the campaign to have tropical oils labeled. In advertising posters and pamphlets, the association has stated that the three tropical oils contain

more saturated fatty acids than lard, a type of animal fat. In a press statement in April that supported this contention, the American Heart Association said that intake of saturated fat had been linked to high blood choles-

ease in many scientific studies. However, Mr. Lim accused the sovbean association of mounting a "smear campaign" to frighten U.S. consumers away from palm oil

terol levels and coronary beart dis-

This is a case of protectionism in the guise of a health issue," he Mr. Lim, a medical practitioner shown that palm oil, though satu-rated, had anti-thrombosis quali-

ties that lowered blood cholesterol

terol of some of the major fats and oils in the American diet, such as olive oil and palm oil. Mr. Lim said that although palm oil accounted for only about 4 per-

the United States, its share had more expensive soybean oil both in the United States and in the international market. Palm oil and sovbean oil have similar uses in cook

This week, the United States and Malaysia are expected to take the industries to a five-day World Congress of Food Science and Technology starting Monday in Singapore. The American Soybean Associa-

tion and Malaysia's Palm Oil Re-

search Institute will present scien-

tific papers, distribute literature and hold demonstrations before around 800 food scientists from 40 countries. Malaysia is also due to lead an international delegation to the United States this week to counter the arguments of the soybean asso-

ciation.

Meanwhile, agricultural specialists in Kuala Lumpur said that if palm-oil export markets started to shrink permanently and prices fell to unprofitable levels, Malaysian commercial estates and small farm cooperatives would be forced to reduce oil paim acreage and diversify into other cash crops.

They said that part of the area now growing oil palm in Malaysia was once planted with rubber trees. Low world prices for rubber for much of the last decade was one of the main reasons for large-scale conversion of rubber plantations to

How Wan Hong, associate director of marketing for the Guthrie group of companies, one of the largest oil-palm growers in Malaysia, said the average cost of production for a commercial plantation was about 565 ringgit a ton.

tion for the short duration. Such loans are usually short-lived as PEARSON: Murdoch Seen as Latest Corporate Raider

be became chairman four years

member as chairman, but Blaken-

Since 1982, pretax profits have

The two most notable improve

Last year, the Financial Times

group's pretax profits jumped to \$45 million from \$23 million in

1985 because of cost-cutting linked

according to Frank Barlow, chief

The real value of being part of

Cruickshank.

over five years.

"the full amount of the loan will prestigious brands.

A year's wait would give him and backgrounds than that be been accused by journalists who slenty of time to fan interest in tween the relentless Mr. Murdoch, previously worked for him of moldplenty of time to fan interest in some of Pearson's prime proper-ties. In addition, bankers say, Mr. Murdoch may be hoping the stock market will decline, reducing the

Warburg Securities in London estimated the breakup value of Pearson at only 10 percent above its current market price. Yet Michael Murphy, an analyst at Warburg, said there was an "enormous element of subjectivity" inherent in such estimates because an eager bidder could attach a high "scareity value" to some of Pearson's well-

Because of his sizable newspaper interests in Britain, attention has already focused on the possibility that Mr. Murdoch is after the Financial Times, Britain's leading business daily with a circulation of more than 300,000.

known brands, driving the price far

He already controls one third of ments have been in the Financial ne daily and Sunday circulation of Times and Penguin publishing. the daily and Sunday circulation of national newspapers in Britain, in-cluding The Times, The Sunday Times and the Sun, so a further newspaper acquisition would have to be referred to the Monopolies to the introduction of new technoland Mergers Commission, the government agency that monitors the London's booming financial diseffect of mergers on industrial trict.

More important than the investmonopoly challenge could be to sell off the struggling Times to be ment funds is the Pearson attitude,

able to acquire the Financial Times, which is highly profitable. executive of the Financial Times. In terms of advertising, the Financial Times and Sunday Times, the Pearson group is that they un-derstand newspapers," Mr. Barlow said. "They know that you have to by one estimate, represent roughly half of the display advertising be independent to maintain your among British national papers. integrity, and Pearson does not Typically, the government is reluc-tant to allow mergers that result in a single company controlling more than 20 percent to 25 percent of a

Mr. Murdoch plans to meet with

domestic market.

Kingdom of Sweden U.S. \$500,000,000 Floating Rate Notes due 2005 For the six manth period 21st April, 1987 to 21st October, 1987 the amount payable per U.S. \$10,000 Note will be U.S. \$368.92 payable

ome or the acquired assets are ofen sold to pay down the loan.

Montedison officials state that resale values of some of Pearson's week. It would be hard to imagine a dence of the Financial Times." more vivid clash of executive styles Mr. Murdoch has sometime

is credited with turning Pearson can, Peter Mayer, to run the group.

from a family-run company into a At the time, Penguin was losing

an Australian-born entrepreneur, ing news coverage to auit his politiand Pearson's chairman, Lord Bla- cal views. kenham, a scion of the Pearson The most striking turnsround clan, and an avid birdwatcher.

However, Lord Blakenham, 49,

Blakenham brought in an Ameri-

professionally managed one since money badly. Mr. Mayer kept publishing literary authors, but also decided to Pearson may still have a family bring out books with more popular appeal, such as The Jane Fonda Workout Book and Shirley Con-

ham has sharpened up the business considerably," said Nigel Utley, an ran's novel Lace. analyst for Alexanders Laing & Today, Penguin is profitable and growing fast, helped by the \$65 million acquisition last year of New doubled, rising to £121.1 million (currently nearly \$200 million) last American Library.

year on revenues of £952.6 million, while growth in earnings per share growth has proceeded at a compound annual rate of 22 percent over five years.

Goodbye Mom & Pop Small businesses which have flourished for senior businesses which have nountred for years with conventional methods are being leapfragged by technologies which can make fortunes for the informed few and wipe out the non-evolving majority. Dest-top publishing helped drive Apple from \$7% to \$55, and now there's Gerber



Terremelines, Malaga, Spain. Telephone 34-52-389688 - Telex 79423.

SAVE & PROSPER BALANCED FUND

Société d'Investissement à Capital Variable 2, Boulevard Royal, Luxembourg, R.C. Luxembourg B-22823

DIVIDEND ANNOUCEMENT

The SAVE & PROSPER BALANCED FUND will pay a dividend of five cents on September 28th, 1987 to registered shareholders at the close of business on September 25th, 1987.

The dividend will be payable to holders of bearer abares against presentation of coupon No. 2 to: Banque Internationale à Luxembourg S.A. 2, Boulevard Royal LUXEMBOURG.

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Chicago Exchange Options

Figures as of clase of trading Friday.

EMS: Other Members Expected to Challenge West German Dominance of Policy Through Control of Exchange-Rate Mechanism

style anti-inflationary policies of which the Bundesbank approves. For the past few years, with inflation widely regarded as the major threat, they have been content to do so. Increasingly, however, France and some of the other members are becoming more concerned with fighting slow growth and un-employment and less with the con-tioning overriding West German priority of combating inflation.

If these countries follow their own priorities and assert their independence, the risk is that they will lose the credibility that their policies have gained from their close association with West Germany. That would put downward pressure on their exchange rates.

At the same time, low West German growth and inflation rates,

What France is effectively saying to West Germany, in the words of a senior EC official, is this: "We have got to move on from the previous position, in which you made policy and we adapted to it. We deserve credit for having been good boys for the last three years. This means monetary stability is still obtainable at a higher level of growth."

In practical terms, France has been asking for early, unconditionsupport weaker currencies when they come under speculative attack (implying less West German insis-

Germany has indeed agreed to final wording. West Germany says hands off the wheel, make marks available to other that the agreement will mean little West Germany's countries for currency support at an earlier stage and in greater quantities, and to intensify economic policy coordination in the some relaxation on your part, but EC's monetary and central bank

But the Bundesbank is making it clear that there will still be limits to its largesse, and that the currency al help from the Bundesbank to support will not be automatic, as France wanted.

tence on policy changes in the saying that he nevertheless sees in ment is put to the test, both in the weaker-currency country), plus the currency agreement "a pre-exchange markets and in the more greater coordination of national sumption of automaticity," a concrete intergovernmental eco-

This month's changes have gone negotiating partners are each read-how far both Bonn and the Bundes-several steps down that road. West ing their desired outcome into the bank are prepared to take their

The crucial factor will be how far both Bonn and the Bundesbank are prepared to take their hands off the wheel.

change in practice. France says it tion phobia has not disappeared

will mean a great deal.

That is why the full implications overnight. The West German au-Jacques de Larosière, the gover-nor of the Bank of France, has been not be apparent until the agree-

will come back for more For that reason, the official sugsted, the West Germans are re-West Germany's historic inflahictant to make too many concessions at any one time.

> by France against West German dominance, the same official said. But the French want British allies are fears similar to those already in their overall campaign. In the visible among some of the system's existing members, such as concern by no reason why Britain should not bring the pound into the system.

Advocates of British EMS membership claim that both the techni-

and the downward drift of the dol-lar, are enhancing the mark's hard-corrency status.

economic policies (implying a stronger voice for the non-German members).

phrase that has legal overtones in stronger voice for the non-German members, as with most compromises, the

nonic coordination that is due to start.

The crucial factor will still be

ment represents at least the thin sels and London is that only the stronger voice for the non-German members).

The crucial factor will still be the way of sterling's entry.

Nigel Lawson, the British chan-cellor of the Exchequer, is believed to be a convert, as is Robin Leigh-It is not a constant daily bettle Bank of England.

Among the reasons for Mrs. Thatcher's continuing opposition

In that respect, her desire to maintain her own government's cal and political conditions are control over the British economy at right for the long-awaited move, least partly justifies the classic which the British government has French complaint that Britain's promised "when the time is ripe".

The widely shared view in Brus-rope will continue to be in doubt

until the country finally makes the pound part of the EMS.

Most member governments appear confident that the latest changes to the system are steps in the right direction. Many economists believe that they could make formal exchange rate changes, or "realignments" within the system.

less frequent Officials at the European Commission, the EC's executive body, say they have detected a more relaxed attitude by Karl-Otto Pohl. the Bundesbank governor, towards his parmers' concerns. The commission believes that governments and central banks now trust each other enough to make the new ar-

rangements work smoothly. As Mr. de Larosière puts it, "It is a matter of good faith." But there is as yet no final answer to the key question: Does West Germany really yet trust its partners to run their own economies?

NASDAO National Market

OTC Consolidated trading for week ended Friday. (Continued)

thorities are still afraid that a relaxation of discipline in the system will lead to inflation elsewhere that will be only too easily exportable to West Germany. For France, however, the agreeicies in Nm 100s High Law Clay Ch'92

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SPORTS

Talks Stalled; Union Considers Own Games The Associated Press NEW YORK — Stalled negotiaions threatened a second week of lational Football I seems also idea "serious consideration" In the Associated Press is free agency, but the idea "serious consideration" In the Associated Press is free agency, but the idea "serious consideration" In the Associated Press is free agency, but the idea "serious consideration"

Mansell Easy Winner of Spanish Grand Prix National Football League play Sat-urday as the union revealed that it JEREZ DE LA FRONTERA, Spain (UPI) - Briton Nigel Mansell won the Spanish Grand Prix here Sunday in 1 hour, 49 minutes and 12.692 seconds, keeping might stage games during the strike.

alive his world driver championship hopes.

Mansell, in a Williams, took the lead at the end of the first lap and was never Owners continued their plans to challenged. Frenchman Alain Prost finished second in 1.49:34.917; his McLaren stage strike games with nonunion players beginning on Oct. 4, while the union confirmed that a televi-Brazilian Nelson Piquet finished fourth to stay at the top of the championship sion network has affered to carry tandings with 70 points, but missed his chance to clinch the title in the last European race of the season. Mansell is now second, 18 points behind with races games between players on strike.

The developments came amid charges that management was nsing the issue of free agency to cover up a union-breaking scheme. Three. days of negotiations ended Friday in Philadelphia with no further talks scheduled as the strike entered its fifth day Samrday.

John Jones, a spokesman for the owners' management council said Theatrical Takes Belmont Park Turf Classic it didn't appear the two sides could meet again before Thursday. He indicated the next move was up to the union, while the union's execurive director, Gene Upshaw, said be was waiting for a call from Jack Donlan, head of the council.

"The issue of free agency clearly is where we're stuck." Jones said. The union has asked for free agency without compensation for players with four years' NFL expenence. Management has made small concessions in the amount of compensation that would be awarded to a team losing a free-agent player.

Upshaw said management was purposely stalling negotiations in an attempt to "divide and conquer" the union. "Their strategy is to test the players, to see if the players are willing to take a stand."

In Atlanta, the Sunday editions of the Journal and Constitution reported that Fox Broadcasting Co., the fledgling fourth national network, had talked to the union about staging games among teams

Asked if the union games would legal. Jones said: "Specifically. no. When a player signs a contract with the league, the provisions of the contract prohibit that action. I'm not saying it's a nonissue, but we haven't spent a lot of time worrying about it. But just so that ev-

games can't be played." Jones said that during last week's negotiations, not only did the its free-agency demands, but "they then, they said, "No, no, no, no, no." New England bit us with in excess of \$200 million They've told the public that the napolis Colts.

Falcons, a union vice president, said management was using free agency to try to stall talks. Luckhurst said he offered management a plan on Thursday that would have granted free agency only to players

with 12 years' experience.
"That would only cover about 30 players, and I figure less than a eryone is clear on this. legally the third of them would leave a city where they've been for 12 years," Luckhurst said. "So we're talking union remain uncompromising on about less than 10 players. Even

The union also has included in provements in pensions and minimum salary among its demande "It's not got anything to do with free agency. It's busting the union."

Luckhurst said. Meanwhile, some strikers agt peared to be losing enthusiasm Picket lines disappeared in Denver on Friday, and on Sanurday there were none at training sites for the Buffaln Bills, Philadelphia Eagles, New England Patriots and India:

NFL Fans Faced With a Blue Sunday

By William E. Schmidt New York Times Service

CHICAGO - All week Donald Linder, a Chicago real estate agent, was dreading Sunday, a day without real football, without his Chicago Bears.

"I've got this routine," said Linder, recalling what he'd done only a week earlier, the day before the National Football League players went out on strike. "I would get up, go running and then get a bunch of the guys over to watch the game."

Now, with the Bears undefeated after two games and Sunday's contest against the Lions in Detroit canceled, Linder's day loomed like an arid wilderness. "I guess I'll go to church instead," he said.

For fans and players, restaurateurs and bartenders, bookies and stadium vendors - all those whose diarnal rhythms are so vitally connected to the sport - Sunday was a day of difficult decisions, hard choices over what to do.

Go for a drive in the country? Clean the garage? Take the family shopping? Spend time with the kids in the park? Watch baseball?

If the past is any measure, one thing seemed certain: People would spend less time in front of their television sets. In 1982, when the players went on strike and cost the NFL almost half its regular

season, CBS-TV lost 14 million viewers on an average Sunday, compared to the year before, and NBC was down by 12 million.

The players' strike has gone down especially. hard in Chicago, where school teachers have already been on strike for three weeks, leaving some 430,000 students at home.

"School strike, players strike - the whole business has thrown a pall over the city," said Jim.
Rittenberg, manager of a bar and restaurant called Ditka's, as in Mike Ditka, the coach of the Bears. You got kids at home with nothing to do, and : now football fans too."

Rittenberg figures the strike will cost his business about 500 paying customers per Sunday, fans who otherwise would come in to drink beer, ear chili and watch the Bears.

"You know where people will go instead? "The Cubs are at home and the weather's nice, so you can expect a rig crowd up at Wrigley. And then there's the racetrack. I wouldn't be surprised if you had an extra 4,000 people out there — including me."

With no Bears on television, what about bigger ... attendances at the zoo, the art museum or the city's. other cultural attractions? "Well," said Rittenberg "I don't think I'd go that far."



'I'M SURE GLAD YOU'RE NOT A WORKIN' MOTHER!"

JUMBILE THAT SCRAMBLED WORD GAME
by Henri Arrold and Bob Lee **TENKO PAMCH** TONBEN ON ELECTION DAY THE LOSER GOT THE BOOT AND THE WINNER GOT THIS. YOANNE arrange the circled letters to the surprise answer, as sug-

Jumbles: DOILY PRIME TINGLE HANGER Answer: The thing about a home that gets the most interest—THE MORTGAGE



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SPORTS BRIEFS

Galici Keeps WBC Junior Welterweight Title

world WBC junior welterweight title with a 12-round decision over American Jerry

Stoner bounced back from a 10th-round knockdown, but the judges were unanimous in awarding Galici the victory by scores of 118-110, 117-109 and 118-111.

ELMONT, New York (UPI) - Theatrical, the even-money favorite, took

command turning for home and drew away to win the \$600,000 Turf Classic by 314

Ridden by Pat Day and trained by Billy Mott, the 5-year-old son of Nureyev was timed in 2:29-1/5 for the mile and a half (2,420 meters) over the soft Widener turf

course. The victory was Theatrical's fifth in seven starts this year, and his \$350,000

Ouotable

dies, she dies."

· Kyle Rappold, University of Colo-

rado middle guard: "Football's great.
You get to kick, bite, spit, fight, win, and

· Willie Pep, the former feather-

weight boxing champion who is 65, has

been married five times and is talking

about getting married again: "When I

told the doctor I was marrying a 33-

year-old woman, be said I could be

taking a chance. I told him, 'Hey, if she

Rocky Klever, New York Jet tight

end: "A strike is like kissing your moth-

er-in-law. Nubody wants to do it, but

when those lips are on the way, there's

nothing you can do about it."

afterward you hug a blonde."

engths over River Memories Saturday at Belmont Park.

CAGLIARI, Sardinia (AP) - Efisio Galici of Italy successfully defended his

teammate, Stefan Johansson of Sweden, was third in 1,49:43.510.

remaining in Mexico, Japan and Australia.

Ricky Stoner here Friday night.

Solution to Thursday's Puzzle









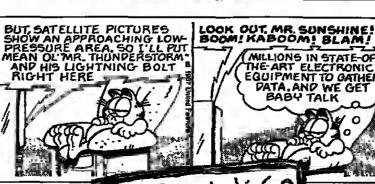




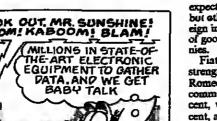












Paris

Upward pressures on interest rates in France

WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

Share prices remained under pressure last week in low volume on the Amsterdam Stock Exchange, except for Wednesday when the exchange followed a very strong Wall Street. The unstable dollar, the rise in interest rates

and the up-and-down movements on Wall Street all contributed to an unstable mood. On Wednesday, the ANP-CBS general index jumped 7 points. The index, which closed at 307.4 the previous Friday, gained a mere 0.9 points last week to close Friday at 308.3

Kempen & Co. brokerage said the analysts' consensus seems to be to steer clear of the Amsterdam market for the time being. Kempen sees no reason to expect a market revival any time soon

Frankfurt

The Frankfurt stock market had a dull week, with uncertainty prevailing in a narrow mar-

The announcement Wednesday by the Finance Ministry of possible privatization of Volkswagen moved the stock down by 15.50 Deutsche marks for the week to 383 DM at the end. The market also reacted unfavorably to tiremaker Continental Gummi's decision to raise funds on the financial market.

The Commerzbank index dropped 13.9 points for the week to finish at 1,959.2. Volume on the eight West German stock markets dropped again, to 11.98 billion DM against 15.28 billion the previous week.

Hong Kong

The Hong Kong stock market hit five successive all-time highs last week after the government doubled its estimate of economic growth this year.

The Hang Seng Index closed Friday at 3,840.11, compared to the previous week's close of 3,649.96, while the broader-based Hong Kong Index finished the week at 2,543.24, after 2,408.23.

Dealers were divided as to future trends. Some warned of sharp correction this week, while others saw the 4,000-point mark not that far over the horizon.

Average daily turnover was a huge 3.18 billion Hong Kong dollars, compared with the previous week's 2.44 billion.

London

The release last Thursday of British trade figures for August, showing the widest ever trade deficit, wiped out more than £6 billion from share values.

But a raily occurred un Friday on a feeling that the selling had been overdone, according to some analysts. The Financial Times industrial share index ended only 1.6 point down on the week, at 1,831.6. Equities had been helped early in the week

by an encouraging survey from the Confedera-tion of British Industry and persistent hopes of tax cuts next year, although the tone was neryous shead of the trade statistics and tension in The trade figures particularly hit consumer

stocks as they momentarily reawakened fears of an inflationary build-up, and consequent higher interest rates. Storehouse also weakened when property group Mountleigh announced it was dropping its takeover plans.

Milan

Milan stocks progressed strongly last week, recovering some of the ground that has been lost by weeks of political uncertainty and disappointing economic news. The Comit. Index closed Friday at 635.71, E

3.4-percent gain on the previous week. Trading volume contracted slightly: A total of 177 million shares were traded, compared with about 200 million the previous week, but for the slightly higher value of 914 billion lire, after 880 billion. Sentiment was divided. Some investors sold,

expecting a further downturn, analysts said, but others, especially small provincial and foreign investors, were in a buying mood because of good quarterly results from leading compa-

Fiat shares did particularly well, on the strength of the launching of the new Alfa Romeo 164 and a favorable report from U.S. commercial banks. Fiat ordinary rose 6.65 percent, while 1FI preferential gained 8.59 percent, and IFIL rose 10.99 percent.

and elsewhere hit the Paris Bourse last week, as

the CAC index dropped to 419.0 on Friday from 429.2 the previous Friday.

On the French bond market, the average yield reached almost II percent because of a cuid control of the drop in long-term bond prices. Renewed infla-

tion in the United States has led to fears of the bigher U.S. interest rates, which would detract full themes. from the attractiveness of French stocks. French political infighting, with an eye on next specific and specific and specific and foreign investigation.

tors are generally absent. Singapore

The Singapore stock market fell for five consecutive days last week in nervous selling is a new delivery and settlement system continued to dampen activity.

Prices brightened slightly Tuesday on but

gain-hunting and short-covering but they were not sustained as the market began to feel the strain of several new listings.

The Straits Times industrial index closed

11.67 points lower Friday at 1381.67, after plunging 37.12 points on Monday.

Turnover for the week was marginally beiter 5: and 22 urclay.

than the previous week, with 109.3 million shares valued at 344 million dollars changing In industrials, Incheape gained 15 cents to 6.45, SIA gained 20 cents to 14.50 while Haw

Par picked up 15 cents to 6.40 and F. & N. tumbled 40 cents to 12.50. In finance and banking, DBS finished the week 20 cents higher at 16.40 while Malayan

Banking chalked up a hefty 45 cents to 8.05.

Tokyo

Share prices raced ahead on the Tokyo Stock Exchange last week, thanks to a gain of more than 400 points during half-day trading Satur-

The 225-issue Nikkei Stock Average, alieso a modest 16.57 yen the week before, closed at 25,512.79 year, for a weekly gain of 637.95.

The composite index of all common stocks listed on the TSE's first section, which lost 182 points the week before, gained 69.43 points to

Investors bought into steel stocks, as many firms reported some recovery through the government's domestic-demand expansion polity. and export-oriented blue chips were in dem as the yen steadied at around 143 yen to the

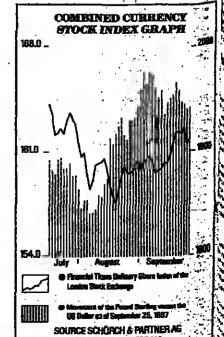
Many dealers said they expected share prices to advance this week as the new business year for securities firms gets under way in October.

Zurich

The Zurich stock market experienced a heatant week, but managed a moderate gain. The Credit Suisse index finished at 613.7 on Friday, against 607.4 the previous Friday, and the Swiss Bank Corp. index rose to 707.3 against 701.4.

Analysts said the trend should remain up ward in the new trading week if the dollar staff at around 1.51 Swiss francs.

Bank stocks performed well, including Union Bank of Switzerland, which was up to 4,925. Financial companies were irregular, with Elektrowatt off 140 to 4,050 but Mour Columbus adding 20 to finish at 1,940.



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nsiders Oun Gon Nebraska Escapes on Day Of Ties and Trouncings

Committed by Our Staff From Dissections college football's four showdowns Saturday ended with Tennessee tying Auburn and Louisiana State tying Ohio State, and a third tie was looming until quarterback Steve Taylor gave Nebraska a victory over Arizona State with 31/2 minutes left. - The fourth game left Arkansas fans fit to be tied, because their team was trounced by Miami.

Nebraska 35, Arizona State 28: Will a Blift Sun U.S. COLLEGE FOOTBALL

The Nebraska (3-0) sped

yards out after Nebraska (3-0) sped

15. 82 yards in four plays, with I-back

15. Keith Jones's 62-yard rum putting
the ball at the eight-yard line.

Taylor's fumble at the Nebraska

15 had led to Darryl Harris's fouryard run and a 21-21 tie in the third quarter. Taylor's second famble, one yard run by Harris that made it 28-28 with 4:55 left in the game.

Arburu 20, Tennessee 20: In Knoxville, Tennessee, freshman Reggie Cobb scored on a seven-yard run with 1:20 to play and Phil Reich kicked the extra point as Tennesse (3-0-1) fied Auburn (2-0-1). Tennessee made it 20-13 on

Reich's 24-yard field goal with 7:46 left, then stopped Anbum on its three on the lockoff, forced a punt and went 56 yards for the touchdown.

Anburn then got from its 20 to Tennessee's 33 but ran out of time.

LSU 13, Ohio State 13: In Baton Rouge, Louisiana, David Brown-byke's 40-yard field goal with 6:25 to play allowed Louisiana State (3-(0-1) to overcome a fumble and three

S IN REVIEW / In Spray James Interception into Matt a a second into Tom Tupa's eight-yard touchdown pass to Jay Koch early in the last quarter, for a 13-10 lead. The Buckeyes had the last chance towin, but LSU defensive end Karl Donbar tipped Frantz's 47-yard field goal try as time ran out.

Miami 51, Arkansas 7: In Little Rock, Arkansas, the Razorbacks (2-1) suffered their worst loss at home since a 63-7 humiliation by Tolsa in 1919 and coach Ken Hatfield said: "They were on a different level, more like an ozone level."

Sophomore Steve Walsh quarterbacked Miami (3-0) to five touch-

NEW YORK - Two of U.S. gained only 38 yards that half.

Oklahoma 65, Tulsa 0: In Tulsa, Oklahoma, backup quarterback Charles Thompson scored on runs of 7, 68 and 10 yards and passed 21 yards to split and Artie Guess during a four-touchdown third quarter. Tulsa got across midfield only once, to Oklahoma's 30, then fumbled

Florida St. 31, Michigan St. 3: In East Lansing Michigan, flanker Ronald Lewis dashed 56 yards on a reverse for one TD and made a diving catch of e pass for another. Notre Dame 44, Purdue 20: In West Layfayette, Indiana, fullback Anthony Johnson rushed for three touchdowns as the Irish railied from a 17-10 deficit.

Clemson 33, Georgia Tech 12: In Clemson, South Carolina, Joe Henderson ran a kickoff 95 yards for a touchdown and Donnell Woolford scored on a 78-yard punt return. UCLA 34, Arizona 24: In Pasadena, California, Troy Aikman

ner on a quarterback sneak with 6:30 left after Arizona had held a 17-7 halftime lead. Penn St. 27, Boston College 17: In Foxboro, Massachusetts, Rlair Thomas rushed for 164 yards and scored twice for Penn State, which

passed for three touchdowns for UCLA, then scored the game-win-

scored on its first three possessions.
Texas A&M 27, So. Mississippi
14: In Jackson, Mississippi, Darren Lewis scored on a 77-yard run in the third quarter and the defense intercepted Southern Mississippi

two passes that period.

Alabama 30, Vanderbilt 23: In
Nashville, Tennessee, Bobby Humphrey ran a kickoff 56 yards to set up his one-yard scoring plunge for

Washington 31, Pacific 3: In Seattle, tailback Aaron Jenkins ran for three TDs and 107 yards as Washington rebounded from the previous week's loss to Texas A&M.

Iowa 38, Kansas State 13: In Iowa City, Iowa, Kevin Harmon ran for 108 yards and caught passes for 85 as the Hawkeyes overcame six pass interceptions and a fumble. Syracuse 35, Virginia Tech 21: In Blacksburg, Virginia, Don

McPherson passed for three touch-

downs as the Orangemen (4-0) got off to their best start in 27 years. Georgia 13, South Carolina 6: In Athens, Georgia, Lars Tate ran for downs in 12 minutes, completing :0 fourth-quarter threats with a fumble



UCLA's Ken Norton, standing Arizona ball-carrier Reggie salvaged a half from e match the McGill on his head after a short gain. The Bruins won, 34-24. Europeans appeared to have lost.

Europe Beats U.S., Keeps Ryder Cup

DUBLIN. Ohio - Seve Ballesteros won the match that blunted a belated rally by the U.S. team Sunday and provided Europe with its first victory on American soil in the Ryder Cup golf competition.
The Spaniard's 2-and-1 decision

over Curtis Strange gave the Euro-peans an unbeatable 14½ points with two matches left on the Muirfield Village course. The final score (with each match worth one point) was Europe 15, United States 13, 1t was the Europeans' second consecutive victory and their first in the United States in the biennial

matches that began in 1927.

The Americans, five points behind going into Sunday's 12 singles matches, needed to win nine points. They nearly did, but their rally end-ed on the par-4 18th hole of the course designed by Jack Nicklaus, the U.S. captain. In the day's early going, Dan Pohl, Larry Mize and Ben Crenshaw each lost a half point with a bogey or worse on the 18th.

day, was tied with Howard Clark of England going to the 18th, But he into a bunker and made double bogey. He lost the hole, the halfpoint for a tie and the match, I-up.

Mize, the Masters champion, was 1-up against Sam Torrance of Scotland going to the 18th. But he drove into trouble, took a penalty drop and eventually made bogey. Torrance's par-4 won the hole and

of Ireland, and was even going to
the 18th. But Crenshaw drove into
match of the day, holed a bunker

Tony Jacklin. Europe's

hole and the match with a par.

in anger after three-putting No. 6 been an unrealistic goal — Europe then went 2-up again when Strange (thereafter he putted with a 1-iron), having led by 6-2 after Friday's bogeyed the 14th. They halved the won three straight holes on the opening play, and holding a 10½-next two holes in par — and that back nine against Eamonn Darcy 5½ edge going into Sunday.

water, hit his third into a bunker shot for a birdie on the first hole called it "the greatest week of my and made bogey. Darcy won the and never trailed against Strange. life." A two-time winner of the Masters The U.S., long-dominant in the and British Open championships,

Tony Jacklin, Europe's captain

Said Nicklaus, the U.S. captain: "They played the better golf. We most important of golf's international team matches, won 6 of Sundey's 12 singles matches and an 18-foot birdie putt on the 10th.

Ballesteros held a 2-up lead at the bad the better chances today, but the Europeans were tougher at the fluor of the Europeans were tougher at the fluor of the



Seve Ballesteros, left, and Tony Jacklin, the European captain, couldn't have been happier.

Tigers Beat Blue Jays in 13th to Salvage Last Game of Series

TORONTO - Kirk Gibson's 13th-inning single drove in the winning run Sunday and the Detroit Tigers stayed close in the American League's East Division race by beating the Toronto Blue Jays, 3-2, to avert a sweep of their four-game series.

The Blue Jays' lead over the Tigers dropped to 21/2 games. The teams finish their season with three games in Detroit

Jim Walewander opened the 13th with a walk off Jose Nunez, the fifth of six Toronto pitchers, was bunted to second by Lon Whitaker and scored when Gibson's soft fly ball bounced off the artificial turf and over the head of center fielder Lloyd Moseby. Walewander, the fastest runner on his team, beat a good throw by Nelson 118 yards and a touchdown while Liriano by sliding stomach first around the Georgia defense stopped two catcher Ernie Whitt's tag. Gibson had made it a 1-1 game with a

14 passes for 135 yards en route and a pass interception. (AP, UPI) homer in the ninth, then Darrell Evans led

off the 11th a homer, only to have the Blue Jays, who had won Friday and Saturday by scoring three runs in the ninth in both games, rally for an unearned run in the bottom of the 11th.

Twins 8, Royals 1: In Minneapolis, Kiromered during a five-run first inning and his team rallied for five runs in the seventh Kansas City as Minnesota clinched at least losing streak. tie for the AL West title.

The crowd greeted the Twins with a Robin Yount's two-run single, for his standing ovation, but Blyleven almost 100th RBI this season, capped a four-run burst the fans' bobble. He walked leadoff sixth that beat Boston. batter Willie Wilson and gave up a single to third with none out. But George Brett then minute starter, homered leading off the grounded sharply to Gaetti, who started a bottom of the first inning, doubled and third-to-second-to-home double play that scored twice against St. Louis. got the Twins out of trouble.

McLemore drove in four runs with two nais' lead to 2½ games in the East Division. Raines hit a bloop double that was lost in Bell hit a two-run triple during a four-run bases-loaded singles for California and Don They lead third-place Montreal by three the sun, then scored on a wild pitch to eighth that beat Houston.

SUNDAY BASEBALL

Sutton got his 320th victory in the majors, in his first relief appearance since 1980.
Orioles 9, Yankées 5: In Baltimore, Rene by Puckett, Gary Gaetti and Kent Hrbek Gonzales broke a 5-5 tie with a double as

Bert Blyleven pitched a five-hitter against to beat New York and end an eight-game Brewers 9, Red Sox 6: In Milwauk

Cubs 7, Cardinals 3: In the National Kevin Seitzer, putting runners on first and League, in Chicago, Bob Dernier, a last-

The loss, coupled with New York's vic-Angels 11, Indians 8: In Cleveland, Mark tory over Pittsburgh, reduced the Cardi-

ries with the Expos at Busch Stadium.

Homers by Dernier, Rafael Palmeiro, Keith Moreland and Andre Dawson gave last-place Chicago a league-leading 203 this season. It also was the first time that four teams hit 200 or more in one year, Baltimore, Detroit and Toronto having reached the mark earlier in the AL.

McReynolds drove in four runs against Pittsburgh to help Bob Ojeda, who had since coming off the disabled list Sept. 1.

finale at Shea Stadium gave the Mets a and drove in six runs. single-seasoo atteodaoce record of 3,027,121 and made them the second team to draw three million, the Los Angeles Braves, allowed five runs on six hits with Dodgers having done so seven times.

Expos 5, Phillies 3: In Philadelphia, Tim

After Raines led off the eighth with a routine fly to center that Milt Thompson lost in the sun. Mitch Webster beat out a bunt single, advancing Raines to third, and Raines scored when reliever Kent Tekulve's 0-1 pitch sailed past catcher Lance Parrish. Hubie Brooks, who had fou, runs batted in, then singled to left-center, scor-Mets 12, Pirates 3: In New York, Kevin ing Webster, who had advanced to third on another wild pitch, making it 5-3,

Giants 15, Braves 6: In Atlanta, San and spoiled Phil Niekro's farewell game as A sellout crowd of 48,588 for the season's Candy Maldonado hit a grand slam homer

> Niekro, the 48-year-old knuckleballer signed to pitch one final game for the six walks in three-plus innings.

> Reds 4, Astros 2: In Cincinnati, Buddy

SCOREBOARD

Baseball

FRIDAY'S RESULTS

1-4. Maw York. 149 900 919-6 6 1 1
Boltmars 200 900 200-4 8 1
Letter, Clercents (7) and Cerone, Science (8): Meeo, M.Griffin (2), Williamson (8), Kinguen (8) and Kennedy, W-Letter, 2-1. L.Letter, 2-5. Sec-Clements (6), HRs—New York, Mattingty (20), Winfield (26), Kansas City 900 159 800-6 10 8

- Authory (20), Winfield (26).

Kanses City 060 150 866—6 19 8
Albaneela 286 269 066—6 11 1

Jackson, Parr 18), Garber (9) and Quirk;
- Shaker, Schatzeder 15), Smithen (5), Atherton 191 and Niefe, Laudner (9), W—Farr, 4-3.

| Statistick | Posterior | 230 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200

Friday's and Saturday's Major League Line Scores Selected College Results RESULTS (6), Myera (8), Siek (9) and Carter, Lyons (7).

EAST

**W.-Fernandez, 12-8, L.-Bielecki, 2-1, Hrs.230 800 800-86 6 1 New York, McReynolds 2 (26).

**Permandez, 12-8, L.-Bielecki, 2-1, Hrs.100 801 280-7 7 3 Sen Francisco 800 112 858-9 11 1

**Brunk 48, Citadel 6

**Brunk 48, Citade

SATURDAY'S RESULTS

AMERICAN LEAGUE
Kennus City 918 692 183—7 11 1
Minnesota 298 911 808—4 7 1
Suberhouen, Davis (7), Garber (9) and
Owan, Quirk (8) ; Carthon, Berenguer (6), Atherion (7), Reproduct 191 and Nieto, Loudner (7),
Buthera (9), W—Davis, 5-2, L—Reproduc, 5-8,
Sv—Gorber (7), HRs—Konses City, Balboni
(78), Tachabul (73)

72 22 465 19% Loe Assets 900 982 98%—3 18 0 Nolte, ALDovis (6), McCullers (7), Booker 10; Derby 9; Luton, Newcostie, Welford 9; Sopthernston, Norwich 7; Weel Hom, 11 of 3 of 10 of 10 of 10 of 3 of 10 of 10 of 10 of 3 of 10 of 1

Football

burgh & W. Virgigia 3

Ruigers 19, Kentuck Tuits 21, Westeyon 1 Union 18, Hobert 3 Yale 30, Connecticut Alphome 30, Venderbill 23

Michigan 49, Long Beach St. D Minnesota 30, Cent. Michigan 1 Northwestern 16, N. (Ulnois 16 Notre Dame 44, Purdue 28 S. Illinois 38, Illinois 56, 7 W. Michigan 34, Bowline Green 27

SOUTHWEST Arkonsos St. 77, E. Texas St. 22 Baylor 26, Texas Tech 22 Houston 28, Sam Houston 51, 34 Miomi 51, Arkonsos

Oktohoma 65, Tulea 0 Rice 36, 5W Texas St. Rica 38, SW Texos St. 28
Texos 01, Oregon St. 14
FAR WEST
Air Force 22, Colorado St. 19
Brisham Youns 45, New Mexico
Colorado 26, Washington St. 17
Idaha 46, N. Artzong 37

Nebroska 25. Artona St. 26 Nebrosko 25, Artzona 52, 28 Oregon 25, 5ort Olego St. 20 Pecific (Gre.) 18, W. Gregon 16 San Jose St. 24, Stanford 17 Southern Cal 31, California 14 UCLA 24, Artzona 24 Utab 51, Idoho 51, 16

CFL Standings



Tennis MEN'S TOU SNAMENTS

bonett Spain, 60, 63. Edvardo Bengoecher

Martin Jaile (5), Argentina di chez (7), Spain, 63, 7-6 (7-8).

(At Lee Aspeles) Quarterfinois uld Pate (2), U.S., def, Andre Agassi, U.S., Brad Gilbert (2), U.S. del. Ellot Teltscher, torics, or Met losses, needed to U.S., 64. 64. Tim Wikison, U.S., def. Marty Davis, U.S., 4

Tim Wilklaon, U.S. Def. Marry Survey.

5. 74 (9-7), 6-4.

5-4 (9-7), 6-4.

5-4 (9-7), 6-4.

Semilinals

Part def. Gilbert 6-3, 6-7, 6-1.

Edberg def. Wilklaon, 6-2, 6-3.

WOMEN'S TOURNAMENT

Itoly, 6-3, 1-6, 6-4. Goles, Yuppelalva, 6-1, 3-6, 6-1.

Kathy Horvath, U.S., def. I wong Kuczinska,

Auto Racing

SPANISH GRAND FRIX

SPANISH GRAND FRIX
(72 leps, 923-59 Ellemsters)
1. Nisel Morsell, Exitoin, Williams, 1 hour
49 misuhen 12,6/2 seconds; overage speed
144,66 (oh 164,42 mph)
2. Aldin Prest, France, Acturen,

DRIVER STANDINGS

1. Nelson Playel, Brazil, 78 solrits

2. Nisel Monsell, British, 52

2. Ayrlon Sonne, Brazil, 51

4. Alein Prest, France, 46

5. Stefan Johansson, Sweden, 26

6. Gerfland Berger, Austria, 18

Graf del Cacchini, 40. 42. Cueto del Horveth 44. 04, 62. Final Graf def. Cueto, 4-2, 4-2

Golf

(At Dublie, Oble) EUROPE 15, UNITED STATES 15

Foursomes
Curtts Strange and Tem Kills, U.S., def, Sam
Tarrance and Howard Clark, Europe, 4-and-2;
Hal Sutton and Dan Pahl, U.S., def, Kyn Brown
and Bennbard Lamper, Europe, 3-and-1; Nick
Foldo and Ian Wesenorn, Europe, def. Launy
Woodlans and Larry Mits. U.S., 2-any Seven Ballesterns and Jose-Mario Olasobal, Europe, def.
Larry Nelson and Payins Stewart, U.S., 1-up.

SATURDAY Curtis Strange and Tam Kite, U.S., def. Joei Rivero and Gardon Brand Jr., Europe, 3-and-1; Nick Faido and Ign Wassnam, Europe,

Gerden Brand Jr. and Jees Rivero, Europe. def. Ben Crenshow and Scott Einzean, U.S. 2-and-1.

def. Ben Crenshow and Scott Einzean, U.S. 2-and-1.

and-2; Sandy Lyle and Bernhard Longer, Eu-

Tom Kits and Curtis Strangs, U.S. 5-and-47Andy Beat and Poyns Stewart, U.S. det, Earngan Dercy and Gordon Brand Jr. Eu-rope, 3-and-21-Hal Setten and Larry Miss. U.S. rope, def. Andy Bean and Mark Colcavechia, U.S., 1-up.; ian Wasenam and Nick Folds, Eu-rope, def. Hal Sutton and Dan Pohl, U.S., 2-and-1; Save Ballesteros and José-María Olanobal, bal, Europe, 2-and-1; Sandy t.vie and Bern-hard Langer, Eerope, def. Lanny Wodkinsand hard Lomeer, Eerope, def. Lanny Wodkinsand Larry Nelson. U.S. 1-Un. Singles. Andy Bean, U.S. def. Ian Woosnam, Europe. 1-Up; Howard Clark, Europe. def. Dan Pohl, Europe. 1-Up; Larry Alize, U.S. halved Som Torransa. Europe, Akark Calcovecchia, U.S. def. Nick Foldo, Europe. 1-Up; Povne Stewart, U.S., def. Jose Okeanbal, Europe. 1-Up; Scott Simpsan. U.S., def. Jose Rivero, Europe. 2and-1; Tom Kite, U.S., def. Sandy Lyia, Europe, 3-and-2; Europe. Derry, Nelson, U.S., holved Bernhard Langer, Europe; Seve Bellesteron. Europe, def. Curtis Strange, U.S., 2-and-1; Lanny Wedkins, U.S., def. Ken Brown, Europe, 3-and-dy Hal Sutton, U.S., halved Gordon Brand, Europe.

12 Nick Folds and ign vocament, Curops, holved with Hai Sutten and Larry Mize. U.S.; Seve Baffesteras and José-Maria Olazabol, Europe, def. Ben Crenshaw and Payne Stevert, U.S., 1-up. Sandy Lyle and Bernhard Larger, Europe, def. Lanny Wadisins and Larry Nelson, U.S., 2-and-1.

Feorball

European Soccer

FRENCH FIRST DIVISION CO L Lille 0

Le Havre 2, Nice 1 Montes De Montes De Petats Annoco 18; Niori 18; Bordeoux 14; Nortes Peris SG, Matra Rocins Connes. Soint-Etienne 13; Montpellier, Metz Toulouse 12; Lille, Toulou, Marsellie, Le Heure 11; Austerre, Mice, Lens 10; Brest, Lovol 9. ITALIAN FIRST DIVISION

Ascoli 3, Torino 0 Aveilino 2, Roma 8 Casano 0, AC Milon 0

Fiorantino 1, Como 1 Inter Allon 2, Empail 0

Pisa 1, Napell 0 femadorio 1, Verena 1 Sempdorio 3, Verena 1 Polisti: Remo 5: Plarentina, Juventus, Samudorio, Pesceno, Inter Allian, Nasoli 4: Ascoli, Verona, AC Allian, 8; Torina, Pisa, Aveillino 2; Como, Cessen 1; Empoli 4. SPARISH FIRST DIVISION

2. Compiled by Our Staff From Dispatches

Division. The number of Cardinal vic-

SATURDAY BASEBALL

Driessen, with Ozzie Smith aboard on a single, had hit Rick Sutcliffe's 3-2 pitch over the wall in left field, his first home run since

In the ninth, the Cubs loaded the bases on two walks and an infield single off reliever Todd Worrell, Dayley came on and got Durham looking at a third strike for his

Pirates 8, Mets 2: In New York, Doug Drabek pitched six-hit ball for eight-plus innings and drove in two runs with singles for Pittsburgh after Barry Bonds hit a two-run homer during four-run second inning tie and kept Montreal four against Dwight Gooden. Gooden, who lasted only three innings, entered the game with a 7-0 career record against the Pirates and had maranteed he would beat them Saturday. But he allowed five runs American League, in Toronto, on seven hits, although striking out

Dion James began a six-run sixth runs in their last at-bat for the with a single and capped it with a second straight game.

two-run single to defeat San Fran
Jesse Barfield began the rally

ASSUGE OF REPROPERTY Publ's three-run home run Lemon and bounced over his head 4. Nelson Placet. Breat. willows. during a five-ruo fourth helped for a double. Willie Upshaw then Houston win a game delayed sever
A Ayrien Seone, Brezil, Lotus, 1.50:26.199

A Phillippe Alliet, France Lote, 1 kep book

7. Phillippe Streitt, France, Tyrrell Ford, 1

when Darwin threw an inside pitch

the bases and Beniquez was sent in to Dave Parker and the 6-foot-5- to bat for rookie shortstop Manny inch (1.95-meter) outfielder Lec. charged the mound. Parker threw a Dickie Noles, the fifth Tiger punch at Darwin, as the benches pitcher, threw three straight balls emptied, and was ejected from the before running the count full, then same. In the fifth, Ron Robinson Beniquez lined a shot over the

Fast Start. Fine Finish Help Cards

CHICAGO - Dan Driessen hit Guillerme Perez-Reiden (9), Arsentino, imning Saturday and Keu Dayley def. Andres Cornez (4), Ecuador, 6-2-1-6 (rs. inning Saturday and Ken Dayley ners on second and third to end the game as the St. Louis Cardinals defeated the Chicago Cubs, 5-3, to Final take a 3½-game lead over New York in the National League's East

clinch the division title was reduced to five. St. Louis had seven games left after this series, the last three to be played against the Mets in

"Sure, it was a wind-blown homer that got us off and running, but in the end, it was a gutsy performance by a kid," Dayley, "who had to battle his way back from serious surgery," said the Cardinal manager, Whitey Herzog.

fourth save. "Dayley's been a blessing." Her-zog said. "If we hadn't gotten him back from nerve transplant surgery, we wouldn't be where we are now."

Braves 10. Giants 5: In Atlanta, troit as the Blue Jays scored three

was ejected for throwing his first glove of shortstop Alan Trammell



who next gave up a run-scoring Blue Jays Lou Thornton, left, Willie Upshaw and Nelson

the sixth beat San Diego. Santiago, sas City. who singled and scored in the fifth. broke the mark set by James Williams of the 1899 Pittsburgh Pi-

rates.

games behind St. Louis. Pascual Perez, improving to 6-0, allowed two hits and struck out five over six innings. Blue Jays 10, Tigers 9: In the pinch-hitter Juan Beniquez's bases-

phia, Hubie Brooks's fourth grand

slam in the majors broke a seventh-

with a short fly ball that landed in Astros 5, Reds 3: In Cincinnati, front of diving center fielder Chet

and the ball rolled between Lemon

grounder to Andre Dawson. Then Liriano, celebrating a game-winning triple by Juan Beniquez. his 28th straight game to set a major-league record for rookies, but Glenn Hoffman's two-run single in run, ninth-inning homer for Kan-

> waukee, Mike Felder's homer, in e three-run third, beat Boston as rookie Dave Stapleton pitched 6% innings of two-hit relief. Felder's d homer of the season came off Al Nipper. Yankees 2, Orioles 0: In Raltimore, Don Mattingly's sixth-in-ning ground-rule double scored the first run and Dave Winfield ho-

Brewers 3, Red Sox 2: In Mil-

loaded triple in the ninth beat De- be was a member of the Minnesota Mariners 2, Rangers 1: In Seat tle, Mickey Brantley hit a two-run homer and Mike Moore avoided losing his 20th game, bolding Texas to seven hits for 7% innings.

mered in the ninth for New York.

Pete Filson (1-0) recorded his first victory since Aug. 28, 1985, when

Indians 11, Angels 10: In Cleveland, Brett Butler scored in the 10th when California third baseman Jack Howell bobbled Brook Jacoby's two-out grounder. White Sox 3, Athletics 2: In Oak-

land, California, Greg Walker's two-out single in the ninth gave Chicago its victory after Donnie Hill, who began the rally with a one-out walk, scored the tying run when third baseman Carney Lans-Dodgers 3, Padres 1: In Los Anand left fielder Kirk Gibson to the geles, Benito Santiago hit safely in wall. (AP, UPI) chopper.

Herali

40) - (m) -

dia Schroeder

Page 3.

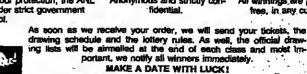
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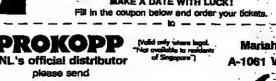
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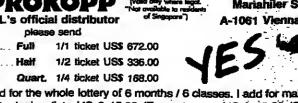
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Sifting the Facts of Life and Death

LONDON - Rebecca West, George Bernard Shaw said, wrote as brilliantly as be did but much more savagely (she on the other hand, admired Shaw's style but found his thinking weak). Time magazine called her "The World's Number I Woman Writer" in a 1947 cover story and Kenneth Tynan, no mean stylist himself, said of her journalism that her mastery of the long analytical sentence was unrivaled in

Dame of the British Empire. She also fied a lot. "She spent a lot of the second half of her life revising the first

the history of ephemeral litera-ture. Rebecca West lived from

1892 to 1983 and was a novelist,

critic, historian, reporter and

MARY BLUME

half because she was very aware of herself as a work of art as well as of her art as art. She thought of her life as a bad book and as an artist that drove her mad," says Victoria Glendinning, whose very good book, "Rebecca West: A Life," was published in London hy Wiedenfeld & Nicholson and comes out in New York (Knopf)

next month. Biography, like good fiction, Rebecca West once wrote in an exalted vein, "comes down to the study of original sin, of our inherent dispositioo to choose death when we ought to choose life." By the 1960s she observed, "the ournber of people reading and writing biographies must exceed the oumber of people suffering from the

Herself the possessor of a twohiography ego, she directed that two friends take oo the task: Stanley Olson was to write the full" hiography, Victoria Glen-dinning the shorter one.

(Olson's is oot yet written) will be a hard act to follow just as for its author it was a hard book to write. t's so much easier to write a loog book than a short book." She has six boxes of unused material.

ou have to know what you are

At first I thought I would go mad but it got quite exciting. It's con-centrated, like a stock cube in-

One of the best of the excellent British biographers now at work, Victoria Glendinning specializes in large scale, overpowering connected literary ladies: stately galleons whose progress she briefly and elegantly arrests before set-ting them back on course. She is a friendly woman with a big laugh and a clever face whose devotion to her demanding and sometimes fearsome subjects has always been tempered by the real-life de-mands of husband, house, four

sons and a dog.
"I could only write really well at night because all through the children's childhood that was the only time I had and I was condicorned that during the day you carried bundles of clothes from one room to the other and helped people off with their Wellingtons. I do the equivalent of that still in the day — I find it really hard to work in the morning, it seems an illicit act."

She married her Spanish tutor, Oliver Glendinning, during her second year at Oxford (she is now married to the Irish writer Terence de Vere White) and had her soos quickly and easily. "I couldn't go on having children, after four it's not necessary, a bit peculiar, although I didn't know what to do oext, really." She did some writing, became a psychiatric social worker and was an editorial assistant at the Times Literary Supplement when George Weidenfeld asked ber if she would like to write a book.

"It was like being thrown a ball and I knew if I dropped it now I'd never be asked again; I said I'd like to write about Elizabeth Bow-

In 10 years she has written four Glendinning's 252-page book major hiographies, beginning Dison's is oot yet written) will be with Elizabeth Bowen in 1977. Edith Sitwell and V. Sackville-West followed in 1981 and 1983, and now with Rebecca West launched she is very privately try-ing her hand at fiction. "I've done something different with each leaving out and why, what you are book and I've learned something rutting in and why. You've got to oew with each book and the Rejustify every sentence you write. becca book taught me more than Glendinning says, should give the known are, she thinks, well worth wouldn't it?"



Biographer Glendinning: scrupulous and affectionate.

anything else. I think I've taken it subject's private life exactly the as far as I can, I'd have to explode it into something different and maybe that's not for me to do."

Her biographies are scrupulous, affectionate, detached and very funny when she find the quathey deserve it. The publisher commissions her biographies and possibly her one mistake was to say yes to Edith Sitwell, who ned out to be a strangely ghost-

"She was a major public figure because of her strange appearance and her public readings and her pronouncements and her ontrageousness, and yet she was a person to whom in her private life nothing happened at all. She hardly left the secret garden of ber childhood. You know she wrote about Sleeping Beauty and her version is the only one I've read in which no Prince Charming comes to kiss her alive. She's left sleeping

ily love, she couldn't get out and

known woman, her great-aunt time you've resuscitated them, Winnie who went up to recently they're walking abound for you, opened Newnham College, Ox- you've hrought them back, ford, hright with enthusiasm and ambition. She suffered from asthma and her family made her come

hreathe."

cessfully achieved person. "I do enjoy the rich canvas. I like to tell a story and I do feel more like a storyteller than a scholar." She isn't so much a pricker of balloons as a student of what

retrieving, but ber own pleasure is to go behind the facade of a suc-

keeps them up, although she wonders if betrayal is not inevitable. Oscar Wilde said Indas is always the biographer. I take these people who have their public image and sort of unpick their knitting and show the sore places under the silk. Maybe I am Judas and maybe what I do, which is supposed to be so wonderful and ob so sensitive, maybe it's really Judas and why can't I leave them cottoned up."

The demand for biographies is unquenchable. "A lot of people tell me that as they get older the can't read oovels anymore and I think that's got something to do with death. Every biography ends in death. Every life ends in death. I think people think how is it going to be for me, how was it for them? The facts of life are the facts of death and its the whole same proportion be or she feels it thing written in a book whereas in has to that person. "In some peo- our lives we can't see an end. It's ple their private life is not the frightening and comforting as the most important thing. It's their same time.'
own private life and in their own
The deat

The deaths of her subjects have heads it's a small piece of lng- always come hard. The worst very name she mad the facade.

Vers and cracks behind the facade.

She gives her subjects the attention they feel they deserve but not always for the reasons they think

She thinks biography as voydinning clearly gets fed up with her unremittingly tempestuous come hecause hiography had subject and her increasingly been so buttoned up, but now l maidenly husband — was the think no one cares who did what death of Vita Sackville-West. "I or to whom in bed quite so just did oot want to write down that she had died. If you look at Rebecca West thought that the last page of that book, I keep outsized subjects, she being one having little sections about someherself, were the only fit matter for biography. Victoria Glendin-ning's first book, "A Suppressed cry" (1969), was about an un-

> "I think if I ever did a biography again, learning and learning, I wouldn't let them die. I'd walk home, where she stopped eating ont on them when they were not and died. "She was stilled by fam-ooticing, when they were doing ooticing, when they were doing the washing up, and I wouldn't let them die. They'd stay alive in the Lost lives, the lives of the un- book. That would be quite good,

LANGUAGE

Words With a Certain Familiar Ring

By William Safire

WASHINGTON — "Say it ain't so, Joe," mouned one-third of a nation ill-honsed, ill-clad, ill-nour ished." Working with the writers Samuel I. Roseaman Biden Jr., the former Democratic presidential hopeful, and Robert E. Sherwood in 1940, FDR collaborated in tones echoic of the fans of baseball's Shoeless Joe Jackson when it was discovered that their idol had faithlessly sold out to the gamblers in the 1919 World

The cause of the Biden followers' dismay was borrowing at length and without attribution the rhythms, thought patterns and sometimes the words of another

"Why is it that Joe Biden is the first in his family ever to go to a university?" asked the candidate in a rousing finale to a debate at the Iowa State Fair. "Is it because our fathers and mothers were not bright? . . . Is it because they didn't work hard, my ancestors who worked in the coal mines of northeast Pennsylvania and would come up after 12 hours and play football for four hours?" These metorical questions were answered with a ringing "It's because they didn't have a platform upon which to stand."

That was a killer-diller of a peroration, warming egalitarian hearts, until Maureen Dowd, a reporter for The New York Times, printed excerpts from a speech by Neil Kinnock, leader of Britain's Labor Party, made several months before: "Why am I the first Kinnock in a thousand generations to be able to get to university? . . . Was it because all our predecessors were thick? Was it because they were weak? Those people who could work eight hours underground and then come up and play football? Weak? . . . It was because there was no platform upon which they could

As an old hand at the speechwriting dodge, my first reaction was to wince at the formalistic upon which construction. Although it enabled the speaker to conclude with the strong word stand, the ostentatiously careful grammar conflicts with the common-man point; a more forceful conclusion would be "no platform to stand on," with spoken emphasis on stand.

Maybe my familiarity with rhetorical borrowing has left me insensitive to the shock of recognition. I remember listening to John F. Kennedy's inaugural, with its stirring line "In your hands, my fellow citizens, more than mine, will rest the final success or failure of our course." I had to admire the way the writer Ted Sorensen evoked the rhythm of the line in the Lincoln first inaugural: "In your hands, my dissatisfied fellowcountrymen, and not in mine, is the momentous issue of civil war." (Kennedy subtly corrected Lincoln's redundancy of fellow-countrymen.) What's wrong with such evocation? Winston Chur-

chill, writing his ringing 1940 speech about defending his island by fighting on the beaches, in the streets, etc., recalled Georges Clemencean's defiance in 1918: "I shall fight in front of Paris, within Paris, behind Paris." (Clemenceau, in turn, was paraphrasing Marshal Ferdinand Foch on Amiens.)

That sort of boosting — a less pejorative term than lifting and certainly far from plagiarizing, rooted in the Latin for "kidnapping" - is done all the time.

I IME for confession I always admired Franklin D. Roosevelt's use of the repeated I see construction, begun in his 1937 "I see

on a speech that used I see to frame an inspiring visioo: "I see an America where factory workers are not discarded after they reach their prime. . . . I see an America whose rivers and valleys and lakes are protected as the rightful heritage of all the people. . . I see an America devoted to our freedom. Working as a speechwriter for Richard Nixon in 1968, I thought: Why oot lift it? Adlai Stevenson had

already adapted the pattern to a series of paragraphs that began with I look forward to, which President Kennedy had lifted in 1963: "I look forward to a great future for America, a future in which our country will match its military strength with our moral restraint . . I look forward to an America which will not be afraid of grace and beauty. And I look forward to a world which will be safe not only for democracy and diversity but also for personal distinction." AL

ways a slam-bang format for a percration. So Richard Nixon told the Republican convention "I see a day when Americans are once again prood of their flag. . . I see a day when the president of the United States is respected and his office is honored because it is worthy of respect and worthy of honor. . . I see a day when our nation is at peace and the world is at peace and everyone on earth - those who hope, those who aspire, those who crave liberty — will look to America as the shining example of hoper realized and dreams achieved."

After that speech, I felt a little pang of guilt - some spark of conscience had not been totally extinguished in the peroration dodge — and I called Rosenman to less up to using the I see construction he and Sherwood had written for Roosevelt.

"Check Robert Ingersoll about 10 years after the Civil War," he replied. With the help of the Library of Congress, I tracked down the speeches of the orang who coined the sobriquet "The Plumed Knight" in the rousing nominating speech for the candidate James' Blaine. There was the source of FDR's I see's in an Ingersoll speech in 1876:

"I see our country filled with happy homes. . . I see a world where thrones have crumbled. . . . I see: world where labor reaps its full reward. I see a world without the beggar's outstretched palm and, as I look, life lengthens, joy deepens, love can pies the earth; and over all, in the great dome, shiner the eternal star of human hone.

the eternal star of human hope."

That is the sort of ending to a speech that Demosthenes would have considered a grabber. I never credited Sam Rosenman, and Rosenman never credit ed the guy who wrote it for Ingersoll; why should the Biden speechwriter give a public pat on the back to the hack who pounds away for Kinnock?

The answer is that times have changed; you can't be away with borrowing anything these days — not even an oratorical technique, much less a phrase or paragraph - unless you are willing to give the attribution. justly, love perorations and walk humbly with the speechwriter. (I forget where I got that, but it has a mice ring to it.)

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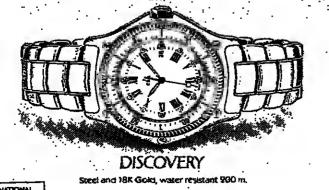
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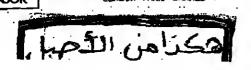
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